

# **AN ANALYSIS OF NIGERIAN DIASPORANS' WILLINGNESS TO PARTICIPATE IN TRANSNATIONAL ENTREPRENEURIAL ACTIVITIES**

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*Soli Deo Gloria!*

## **SUMMARY**

This thesis investigates the possibilities for diasporans' participation in transnational entrepreneurial activities. The transnational entrepreneurship literature seeks to understand the differences in the characteristics of diasporans and their motivations for participation in transnational entrepreneurship. There is an interest in entrepreneurial activities which span both the country of origin and country of residence, especially in contexts where the country of origin is considered risky for doing business. With specific reference to the institutional opportunities and challenges of doing business in the Nigerian context, the research explores factors that influence diasporans' willingness to participate in transnational entrepreneurial activities. It explores, specifically, factors that influence diasporans' involvement in financial investments, entrepreneurship and business linkages, as well as institutional entrepreneurial undertakings to support the SME sector. The analysis highlights the willingness of diasporans to participate in transnational activities through their sentiments towards transnational activities, the nature of activities they are willing to undertake and resources they own or the nature of networks (interactions) from which they can access resources to carry out the activities. Key findings emerging from the research is that there is a strong sentiment among diasporans towards family support rather than an obligation to contribute to the development of the country of origin. The findings also show the family networks as a means of protecting investments because such relationships are enduring and based on trust. Access to resources through close ties depict least-effort interactions which imply willingness to partake in activities and access resources which minimise costs and risks. The results show that the investment possibilities are mostly altruistic and family-oriented, to enhance family well-being and prosperity. Risk-taking diaspora entrepreneurs and professionals have profit making motives with capacities for being diaspora angels investors and offering mentorship support to SMEs.

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### Glossary of terms

1.	<b>Hometown association</b>	<b>An association representing a place of belonging e.g. village, town or district. The association is concerned with the well-being of their members in the diaspora and with the improvement of the home place (Mercer et al., 2009)</b>
2.	Heterophilous interactions	Networking principle that depicts interactions which occur between people with dissimilar resources. Such relationships require more effort and cost to access (Lin, 2001). The relationship between people with dissimilar resources depicts weak ties (Granovetter, 1973) because the actors are not directly connected or structural holes exist between the actors that needs to be bridged by links (Burt 1992).
3.	Immigrant effect	A beneficial human-capital-type externality that enhances trading opportunities between the host and home countries (Gould, 1994, p.302).
4.	Social field	A social field or a market may be seen as a structural space of positions in which the positions and their interrelations are determined by the distribution of different kinds of resources or 'capital' that agents possess and that can be exchanged (Patel and Conklin, 2009).

# **Chapter 1**

## **INTRODUCTION**

This chapter provides an overview of the rationale for the study. It includes the aim of the study, the research questions and the research design adopted to study the willingness to engage in transnational entrepreneurial activities among Nigerian diasporans. Transnational entrepreneurial activities describe business-related ventures which diasporans engage in, which span the country of residence and the country of origin. Such activities could take the form of diasporans starting entrepreneurial businesses in the country of origin. Diasporans also make financial investments in start-ups or existing businesses in the country of origin. Through their ability to navigate both countries, diasporans are also capable of providing business linkages. They provide such linkages by connecting businesses and investors across both locales. They can link investors in the country of residence with businesses in the country of origin (or vice versa) because of their knowledge of the business environment, culture and language of the country of origin. Transnational activities of diasporans also include their role as institutional entrepreneurs. In some countries, governments have expectations of diasporans as stakeholders in the development of their country of origin e.g. the development of the SME sector. These aspects highlight the modes of diaspora transnational entrepreneurial activities.

The characteristics and motivations of diasporans for transnational entrepreneurial activities vary across contexts. There are also differences in business environments and institutions in the countries of residence and origin. Based on these differences, more knowledge is needed in order to understand the possibilities for diasporans' participation in transnational entrepreneurial activities. This is particularly relevant in contexts where the risks of doing business in the country of origin is considered high. In such contexts, diasporans who were forced to migrate for economic reasons may be apprehensive about engaging in entrepreneurial activities in the country of origin (Mohan and Zack-Williams, 2002). Crucial to understanding these possibilities is an analysis of the willingness of diasporans to participate in transnational entrepreneurial activities.

## **1.1 Overview**

This study rests on the phenomenon of transnational entrepreneurship which refers 'to the situation in which an individual emigrates but still maintains economic linkages with his home country' (Baltar and Icart, 2013 p.200). Mustafa and Chen (2010) point out that the maintenance of close links with the country of origin has given rise to transnational entrepreneurs. Transnational entrepreneurs are defined as 'self-employed immigrants whose business activities require frequent travel abroad and who depend for the success of their firms on their contacts and associates



in another country, primarily their country of origin' (Portes et al., 2002, p.287).

Transnational activity is an activity related to a venture conducted across two social fields, usually a host and a home country —where an entrepreneur has the advantage of combining capital such as economic, human, cultural, social, and symbolic capital from both countries (Patel and Conklin, 2009).

Diaspora transnational entrepreneurial activities often span both the countries of origin and residence (Riddle et al., 2010). Diasporans are transnational entrepreneurs because they engage in entrepreneurial activities which span national business environments (Drori et al., 2009). A diaspora is a migrant group that maintains links with their country of origin. Diasporans are migrants and their descendants who live in a host country and maintain a relationship with their country of origin (Safran, 1991). The homeward action-orientation of diasporans highlights strong sentimental and material links with the country of origin (Sheffer, 1986). These linkages describe the transnational activities or ventures of diasporans. Diasporans 'carry out business activities as self-employed professionals, classic individual entrepreneurs, co-entrepreneurs, business owners, investors or multi-entrepreneurs' (Elo, 2016, p.123). Transnational entrepreneurial activities of diasporans in the country of origin could be through diaspora entrepreneurship, diaspora investments or institutional entrepreneurship. Diaspora entrepreneurship describes the creation of businesses and jobs as well as the stimulation of innovation

and the establishment of social capital across borders (Ojo et al., 2013). Diaspora investment describes 'cross-border business-directed investment flows transacted by a diasporan (an individual living in diaspora) in their country of origin' (Elo and Riddle, 2016, p.14). Diasporans channel their resources to support entrepreneurial activities (Riddle et al., 2010). They also facilitate entrepreneurial linkages with the country of origin through their skills, knowledge, financial resources and connections (Gould, 1994; Rauch and Trindade, 2002). As institutional entrepreneurs or change agents, diasporans bring the new ideas, belief, norms and behaviours acquired in their country of residence to engage differently in business activities in their home countries (Riddle and Brinkerhoff et al., 2011).

The willingness to participate in entrepreneurial activities in the country of origin depends on the motivations of diasporans and entrepreneurial opportunities identified by them. Even though diaspora entrepreneurs may have the financial incentives of a typical foreign investor, they are set apart from other investors by 'sensitivities to social aspects of business, knowledge of the country of origin's business environments, investment possibilities and embedded ethnic advantages that stem from their better grasp of the business terrain and social capital' (Ojo et al., 2013, p.290). Their willingness also depends on the extent of friendliness and receptivity in the country of origin as well the level of integration and support that exist in the host countries (Nkongolo-Bakenda and Chrysostome, 2013). Conditions

conducive to entrepreneurial activity differ from place to place both within and across national boundaries. The effect of the institutional environment on the entrepreneurial process includes shaping the abilities, motivations, and actions of would-be entrepreneurs (Plummer and Pe'er, 2010). The claim of this study is that, the willingness of diasporans to participate in transnational entrepreneurial activities differ according to institutional environments. It can be explained by the sentiments or motivations of diasporans to participate in entrepreneurial activities, which are reflected in the activities they are willing or capable of doing (and resources they own or can access to do the activities) and the nature of networks (interactions) needed to carry out the activities (Homan, 1951; French et al., 1964; Lin, 2001). An analysis of these factors helps to highlight possibilities for Nigerian diasporans' participation in transnational entrepreneurial activities.

## **1.2 Background of the research**

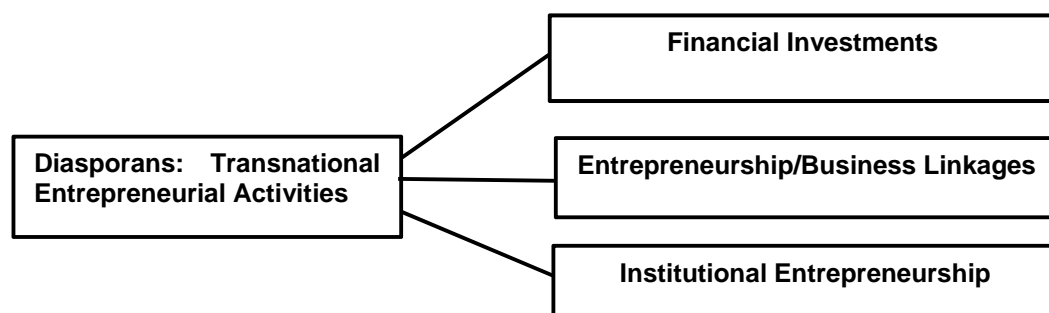
Transnational entrepreneurs are a 'heterogeneous lot—hailing from many countries; crossing ethnic, immigrant, and minority boundaries; and possessing different motivations and experiences' (Terjesen and Elam, 2009 p. 1094). Diaspora transnational entrepreneurship is seen as a form of 'globalisation from below'. This involves interactions between multiple actors making use of the opportunities offered by globalisation such as advances in technology and transportation in ways

similar to transnational corporations (Mohan, 2002; Mohan and Zack-Williams, 2002). Diasporans make use of their resources as well as the resources of their networks across the locales they operate. Diaspora transnational entrepreneurial activities therefore exist in social fields (Drori et al., 2010). Transnational social fields shape economic and social systems as diasporans are exposed to a set of social expectations, cultural values, and patterns of human interaction (Elo, 2015). Transnational entrepreneurial activities generate opportunities and benefits for both diaspora entrepreneurs as well as for the societies in which they operate (Riddle et al., 2010). Consequently, this encourages countries to adopt policies to attract diasporans to promote entrepreneurial initiatives which in some instances are more likely to be started by the highly educated (Peroni et al., 2016).

The characteristics of diaspora transnational entrepreneurs and the types of diaspora entrepreneurship in emerging economies have remained underexplored (Elo, 2016). The characteristics of diaspora transnational entrepreneurs are expected to vary significantly by context (Portes et al., 2002). For example, the transnational entrepreneurs of the Silicon Valley were not typical entrepreneurs but were top engineering graduates. Through access to education in the United States, in a very different institutional and technological environment, they mastered and later transferred the knowledge acquired to improve technology entrepreneurship in their home countries (Saxenian, 2005). In a study of China and Egypt, diasporans

played significant roles as investors in their homeland at the time in which their countries were considered unattractive by most multinational corporations. Some of the investments came from diasporans who already had established businesses abroad, while others were made by professionals whose investments in the country of origin at that time represented their first business creations (Gillespie et al., 1999). Figure 1.1 shows the modes of diaspora transnational activities identified from literature. Diasporans' financial investments are transferred to the country of origin through money transfers or remittances (Ratha et al., 2011). Remittances represent money sent by diasporans to the, 'home country through official channels from the country where they work or live' (Fonta et al., 2015 p.348). By 2010, world-wide remittance flows were estimated to have exceeded \$ 440 billion and amount received by developing countries is estimated at \$ 325 billion (Boly et al., 2014). Financial investments by diasporans are also in the form of diaspora portfolio investment (DPI) e.g. diaspora bonds (Elo and Riddle, 2016).

**Figure 1.1: Diasporans' transnational activities**



Diaspora entrepreneurship straddle the country of residence and the country of origin and occurs through diverse modes. Circular migration refers to how transnational diaspora entrepreneurs start businesses in their countries of origin but continue to live in the country of residence even as they run their businesses. Such transnational businesses thrive on opportunities created by the knowledge and the social networks of diasporans. Their businesses may take many forms for example, circuit firms' which transfers financial remittances and goods between the country of residence and the country of origin (Riddle and Brinkerhoff, 2011). Cultural enterprises are businesses which export goods from the country of origin to sell to fellow diasporans in the country of residence. There are also return-migrant enterprises which are established in the country of origin by diaspora returnees (Riddle et al., 2010).

Diasporans provide linkages between the country of residence and the country of origin. Diaspora networks play a key role in fostering these bilateral linkages through their knowledge of home-country markets, language, preferences and business contacts (Gould, 1994). Diasporans' capabilities of providing transnational linkages are supported by 'knowledge of a culture, language and market in both the host country and homeland' (Baltar and Icart, 2013 p.201). Transnational entrepreneurial activities may differ among diasporans because sometimes, diasporans would look for accessible niche market which then determine the nature

of bilateral trade flows between their country of residence and country of origin (Gould,1994).

According to Saxenian (1999) by 1990, two thirds of the foreign-born high-skilled technology workforce in the Silicon Valley region were from Asia. China and India accounted for 74 percent of these population. These group of diasporans arrived in the United States after 1970 to pursue graduate studies. By 1998, they had become senior executives at one-quarter of the new technology businesses in the Silicon Valley. The companies accounted for more than \$16.8 billion in sales and 58,282 jobs. These diasporans integrated well into the mainstream technology economy of the host country through professional activities and also had strong ethnic connections that created shared ethnic identities. The strong ethnic connections helped in facilitating access to capital, job search, information exchange and managerial know-how. Their networks were not only local to the Silicon Valley region but also extended to their home countries and beyond. For example, in the case of the Indian diaspora, the niche market is the software industry. The diaspora networks played an important role in generating businesses and gaining access to capital for entrepreneurs in India, in the highly export oriented software industry (Nanda and Khanna, 2010). The Indian diasporans took the initiative and risk required to do business in their countries of origin through foreign companies' outsourced work to India. They also facilitated long distance social networks that enhanced economic

opportunities for California and for emerging regions in Asia (Kuznetsov and Sabel, 2006; Newland and Tanaka, 2010).

Institutional entrepreneurship explains the role of individual and organisational agents in institutional change (Welter and Smallbone, 2011). The institutional entrepreneurial activities of diasporans draw attention to institutional arrangements in the country of origin and how diasporans leverage resources to create new institutions or to transform existing ones (Riddle et al., 2010). Harima et al. (2016) point out that diasporans and institutions are often in mutual interaction. The wide discussions about how economic activities of diasporans can positively impact the country of origin encourages policy-makers' desire to develop favourable environment in the country of origin to attract diasporans. Diasporans are viewed as agents of change because of institutional acculturation into environments that are often relatively different from those that exist in their countries of origin (Riddle and Brinkerhoff et al., 2011). Institutional acculturation describes how diasporans may bring with them new knowledge, beliefs, norms, and behaviours from their country of residence which could be of advantage to their country of origin. They could help in introducing new ways of doing things especially in instances where the country of origin is a developing country and the country of residence is developed. For example, where corruption is rife in the country of origin, diasporans could engage in business activities differently by not engaging in such practices and by finding



new and better ways of doing business (Terjesen and Elam, 2009). As role models and agents of change, diasporans can change how things are done or convince others about better ways of doing business in the country of origin. The knowledge and relationships acquired by transnational entrepreneurs facilitate the development and transfer of resources and people across communities. The activities of transnational entrepreneurs change the rules of the game through a refinement of existing practices and the introduction of new ways of doing business and these ultimately become new institutions (Riddle and Brinkerhoff et al., 2011). This transnational institutional entrepreneurship trend is 'likely to grow at an increasingly fast rate as individuals across the world increasingly gain experience living and working outside their home countries—as students pursuing part or all of their degree studies overseas' (Terjesen and Elam, 2009, p.1115).

### **1.3 Statement of the problem**

Transnational activities of diasporans extend the study about diasporans from entrepreneurial activities within the country of residence e.g. ethnic entrepreneurship, to the institutions and identities that diasporans create as they simultaneously engaged in two or more countries (Mazzucato, 2008). Within a community of individuals, the personal preferences and motivations of diasporans could impact the possibility of establishing economic linkages between the host

country and the country of origin (Barnard and Pendock, 2013; Baltar and Icart, 2013). 'Behaviour is not homogenous in diaspora. Diasporas are social entities consisting of a heterogeneous set of people. Transnational diasporans are tangled in a complex system of practices, behavioural patterns, psychological frameworks, and socio-cultural institutions' (Elo, 2015, p.25). Harima et al. (2016) point out that even though research on diaspora entrepreneurship has been conducted in the last decades, previous contributions have not succeeded in ascertaining the full scope of this phenomenon; because it is highly heterogeneous and the dimensions that classify diasporans are diverse. In the past, transnational diaspora research has examined macro-level issues with economic implications, such as remittances, brain drain and brain gain, but has not yet explained individual-level decision making and diaspora strategies. Consequently, with the heterogeneous nature of diasporans, the mechanisms of diaspora entrepreneurial activities are only partially understood (Elo, 2015). Therefore, the study of transnational diaspora entrepreneurship requires more contextualisation (Elo, 2016). This is important because, differences in the nature and success of entrepreneurial activities in the country of origin have been traced to institutional factors (Saxenian, 2005). These institutional factors (formal and informal) operate differently across contexts (Stam et al., 2014). For example, the direct action of governments in constructing and maintaining an environment supportive of entrepreneurship as well as societal

norms toward entrepreneurship, could determine the likelihood of diasporans' engagement in transnational linkages between the host country and the country of origin (Bruton et al., 2010; Baltar and Icart, 2013).

Nanda and Khanna (2010) point out that there is little empirical knowledge about the type of entrepreneurs in the country of origin who rely most on diasporans and their networks. Anecdotal evidence shows that it may be an outcome of assortative matching or homophily between entrepreneurs in the country of origin and diasporans. This type of homophilous relationship differs from the relationship which exist between diasporans and entrepreneurs who face greater transaction costs and barriers to trade and who use the diaspora network as a means to overcome weak domestic institutions. The willingness of diasporans to participate in entrepreneurial activities could also be different in regions which are characterised by societal divisions, problematic historical and cultural legacies such as in the sub-Saharan African. The diaspora from these regions have not been very effective in country of origin development (Davies, 2012).

Conditions which identify a diasporan as a development actor are 1) an ethnic or national origin, 2) the capability to contribute to development in country of origin, e.g. having skills to offer and funds to offer, and 3) the readiness to do so (Weinar, 2010). Gillespie et al. (1999) point out that little is known about the motivation for interest in entrepreneurial investment of a diaspora member from a developing

economy where the investment climates are poor and likely to eliminate such countries from consideration by multinational corporations. The authors suggested that future research could attempt to examine the country of origin investment decision-making process from the points of view of current entrepreneurs versus potential entrepreneurs. Riddle et al. (2010) point out that transnational diaspora entrepreneurship has been examined as a post hoc phenomenon. The focus has been on examining the social characteristics and business activities of diasporans with existing successful transnational enterprises. However, lesser attention has been paid to identifying the specific obstacles that entrepreneurs may face which may impede the realisation of their transnational venture ideas.

Issues raised from the transnational perspective include, the extent to which the viability of diaspora entrepreneurship is contingent on economic and social ties with the home country (Portes and Yiu, 2013). This suggests that the perception of diasporans about the viability of transnational entrepreneurship and their willingness to engage in transnational activities could be motivated by their social ties. Motivations which drive investment interests in the country of origin differ because people from the same place can be transnational in different ways (Mercer et al., 2009). For example, the motivation driving diasporans' entrepreneurial interests in the country of origin is complex and could be financial and non-financial

motivations (Riddle and Brinkerhoff et al., 2011). Also, diasporans approach threats and opportunities differently (Elo, 2016).

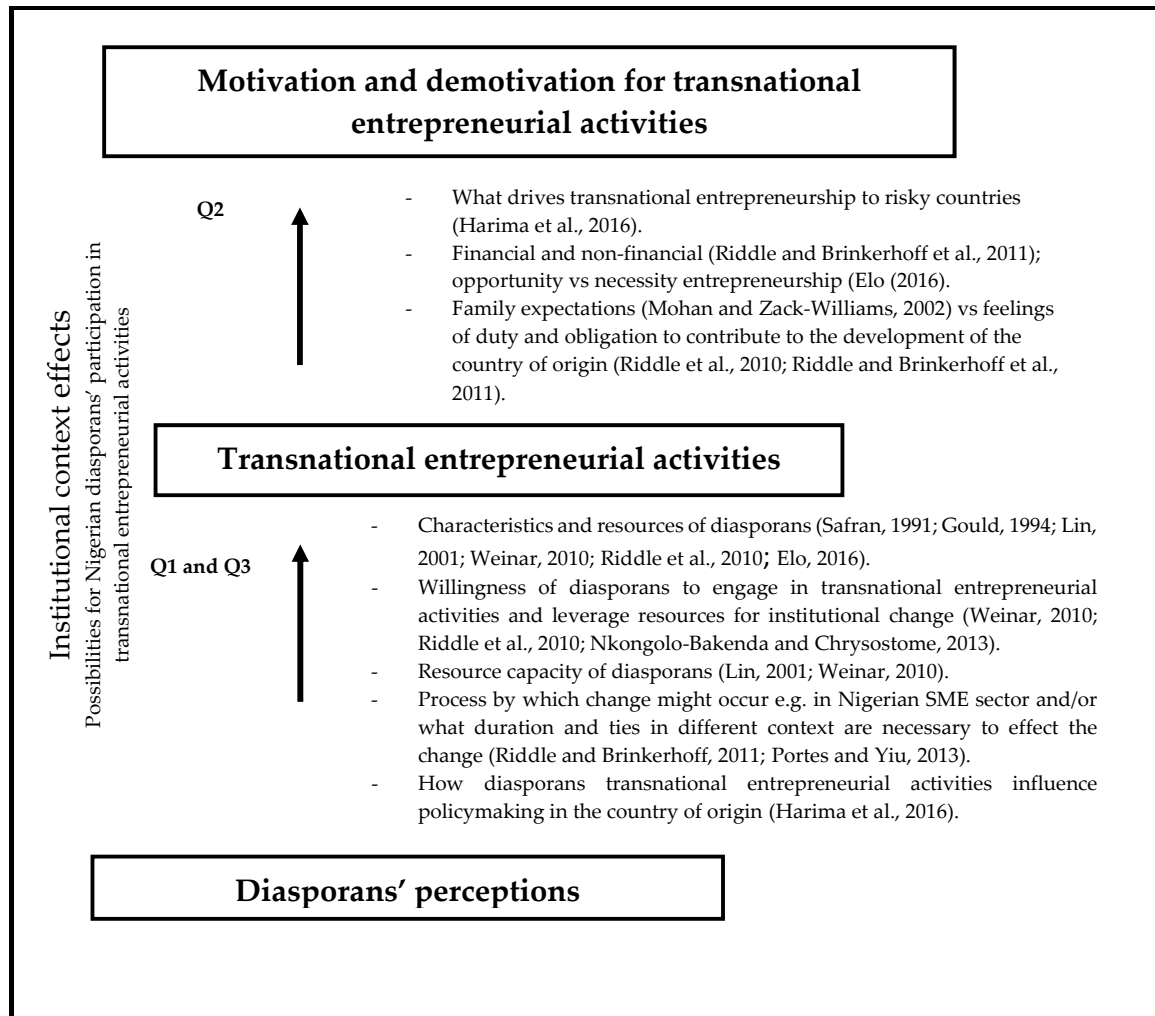
Safran (1991) points out that the relationship between diasporans and the country of origin is reflected not so much in instrumental as in expressive behaviour. On one hand, it is argued that social ties are founded on informal institutions which result in the pressing pressure for redistribution based on diasporans' obligation to family members. This has been argued to be a key link between the diaspora and the country of origin development (Mohan and Zack-Williams, 2002). For some diasporans, entrepreneurial investment in the country of origin provides ways to improve the economic prospect of family and friends back home and/or enhance their own social standing in the country of origin or their local community (Riddle et al., 2010). Therefore, transnational connections of diasporans are built on social relations which include social ties and relationships based on trust and obligation (Mohan 2006). It is believed that for many transnational entrepreneurs 'the most easily accessible transnational networks are those involving family and kin' (Mustafa and Chen, 2010, p.98).

On the other hand, the basis of diasporans relationship with the country of origin has also been explained as, feelings of duty and obligation to contribute to the development of the country of origin (Riddle et al., 2010; Riddle and Brinkerhoff et al., 2011). In this instance, a strong sense of obligation to the country of origin could

drive the willingness to partake in entrepreneurial activities. Such diasporans could consider transnational entrepreneurial investments in response to country of origin government's call for diasporans' involvement in economic development and stability of their country of origin.

There is limited knowledge about the dynamics between diasporans and institutional change in the country of origin e.g. the extent to which diasporans are willing to leverage resources to create new institutions or to transform existing ones as suggested by Riddle et al. (2010). In terms of institutional entrepreneurship, literature seeks to understand 'the relationship between diasporans cognition, entrepreneurial action and institutional effects' (Riddle and Brinkerhoff, 2011, p.679). In particular, it seeks to understand how diasporans can affect change across geographic borders and the process by which this change might occur and/or what duration and ties in different context are necessary to effect the change (Riddle and Brinkerhoff, 2011). These factors contribute to discussions about how diasporans' activities influence policymaking in the country of origin (Harima et al., 2016). The research questions that this study seeks to answer cover the aforementioned aspects of the transnational entrepreneurship literature. The links between the research questions and literature are presented in Figure 1.2 below.

**Figure 1.2: Links between research questions and literature**



Considering the differences in the characteristics and motivations of diasporans as well as institutional opportunities and challenges of diasporans' participation in transnational entrepreneurial activities in different context. There is a need to understand what drives diasporans' willingness to participate in transnational entrepreneurship and what the possibilities of diasporans' transnational

entrepreneurial activities are in contexts where doing business is considered risky.

Consequently, this study seeks to achieve this aim from the Nigerian context.

#### **1.4 Research questions**

This thesis aims to analyse and describe the possibilities for Nigerian diasporans' participation in transnational entrepreneurial activities.

The research questions are:

1. What factors influence the characteristics of diasporans and their willingness to engage in transnational entrepreneurial activities?
  - a. What factors contribute to diasporans' predisposition toward making financial investments and providing business linkages?
  - b. What factors influence diasporans' ownership of resources and access to resources held by others?
  - c. What factors influence diasporans' willingness to invest in the country of origin?
2. What factors explain diasporans' motivation and demotivation for transnational entrepreneurial activities?
3. What are the challenges affecting the SME sector in Nigeria?
  - a. In what ways could diasporans and their resources be leveraged to transform the SME sector in Nigeria?



## **1.5 The research context**

Contexts recognise situational and temporal limits for entrepreneurship in order to frame research questions and research designs (Whetten, 1989; Welter, 2010). For this study, the research context is the Nigerian diaspora. Prior to its independence in 1960, Nigeria was a major player in the commodity export market as an exporter of agriculture products such as cocoa and groundnut. After its independence, the country caught the 'Dutch disease' and its consequences due to the discovery of oil resources in large quantities. The symptoms revealed an oil boom which resulted in steady decline of agricultural activities and also a decline in the export capacity of the nation (Agboli and Ukaegbu, 2006). The Nigerian economy in the pre-independence and early independence era, welcomed with open arms the unrestricted use of foreign skilled managerial and entrepreneurial talents and capital in the development of its economy. The National Development Plan of 1962 aimed at moving the economy away from an agricultural export-based economy to one that refined more oil and manufactured more steel. The plan supported the growth of government owned corporations but failed in promoting private ownership of businesses. The government created the Enterprise Promotions Act of 1972 to promote the placement of indigenous people in management positions and also established incentives to increase investments by foreign investors (Limbs and Fort, 2000). Over the years, the country has adopted a series of policies and strategies

in its developmental pursuits and several SME support programmes have also been initiated (Agboli and Ukaegbu, 2006).

Presently, more effort is being channelled towards reducing the country's dependence on oil, poverty alleviation and increased employment. The government attempts to build a thriving entrepreneurial environment. In order to achieve this, it adopted an ecosystem approach (Small and Medium Enterprises Development Agency of Nigeria, 2014). It hopes to bring together existing SME support programmes under a holistic framework and also by revitalising the agriculture sector. As a result, the National Enterprise Development Programme (NEDEP) and One Local Government One Product (OLOP) were launched by the Nigerian government in 2013. Along the same line, the revised Micro and small-and medium-sized enterprises (MSME) policy envisages the support of the Nigerian diaspora, in addressing the key areas of constraints of SMEs such as access to finance and market development (Federal Republic of Nigeria, 2014; National Enterprise Development Programme, 2014). This signals the government's desire for its own foreign-based skilled managerial and entrepreneurial talents to invest in entrepreneurial activities in the country.

## **1.6 Research design**

The research takes on a post-positivist position and adopts quantitative /interpretivist approach. The ultimate aim of this study is to describe characteristics of the sample population based on the data collected from the sample. The study aims to explore the possibilities for Nigerian diasporans' participation in transnational entrepreneurial activities. In order to achieve this aim, it analyses diasporans' willingness to participate in transnational entrepreneurial activities. The research questions are approached from the network and institutional theoretical perspectives. Networks are hypothesised as a 'fundamental characteristic of transnationalism and the primary means of mobilizing resources for transnational practices' (Chen and Tan, 2009 p.1080). Also, equally useful for understanding transnational entrepreneurial activities is the homophily principle. Homophily predisposes people to others like themselves on the basis of a greater level of trust (McPherson et al., 2001). Institutional factors determine the likelihood of diasporans' engagement in transnational linkages between the host country and the country of origin (Bruton et al., 2010; Baltar and Icart, 2013). The institutional and network theories can be integrated because institutional influences and network effects are recursive (Owen-Smith and Powell, 2008) and are useful for studies that seek to answer the questions of 'why motives and rationalisations for action by individuals as well as organisations extend beyond economic considerations' (Lin, 2001 p.185).

These perspectives therefore formed the lens through which this study analysed the preferences (sentiments) for entrepreneurial investments and business linkages, the access to resources and motivations of diasporans for transnational entrepreneurial activities. Concepts derived from the study are then categorised and interpreted in relation to theory.

The design of this study is influenced by the perspective that entrepreneurial activities are social phenomena. Social phenomena are viewed as being concept-dependent and needing interpretive understanding (Zachariadis et al., 2013). The reason for this position is because, even though social reality exists independent of our interpretation of it, our knowledge of it is limited to our interpretation of the phenomenon. As a result, multiple perceptions of social realities exist about a phenomenon because those who interpret it do so differently. This is particularly important when the objects of knowledge are agents rather than reagents which can be controlled. The understanding of and knowledge about human behaviour is therefore progressive, building upon what is already known. Consequently, the researcher is responsible for rigorously gathering and understanding disparate interpretations. The researcher does so in a systematic and informed manner, 'developing his/her own interpretations of the phenomenon that make sense to the informants who experienced it first hand, are plausible to uninformed others and can be expressed in relation to current theory' (Shah and Corley, 2006 p. 1823).

## **1.7 Research method**

In order to achieve the aim of this research, a survey among Nigerian diasporans is conducted using questionnaire as the instrument to elicit the responses from a sample of respondents. The instrument consisted of structured questions and some questions that also required open-ended answers. The structured questions ensured that the questions are asked in the same way across a large audience and are easy to capture for data analysis. The sampling for data collection was through purposive sampling targeted at diasporans - attendees at a diaspora event and members of Nigerian diaspora groups. This helped to capture the sample of interest based on respondents' identity as diasporans. The study also made use of secondary data collected by World bank Nigerian Enterprise Survey of 2014 in the analyses of the SME component of the study.

## **1.8 The potential contribution of the study**

The potential contribution of this study to extant literature would be in the area diaspora transnational entrepreneurship literature. This study aims at describing the possibilities for Nigerian diasporans' participation in transnational entrepreneurial activities. The study would contribute to an understanding of the factors that drive the willingness to engage in transnational entrepreneurial activities among Nigerian diasporans. The relationship between diasporans and the country of origin is

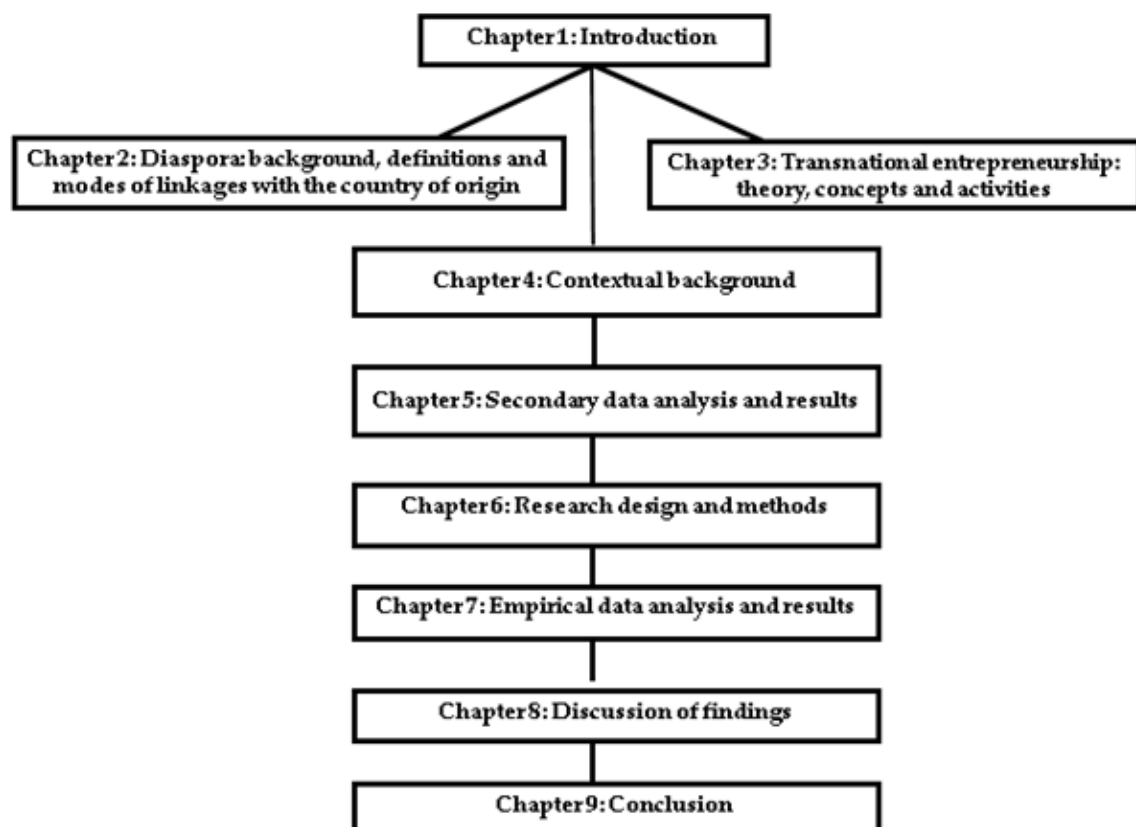
posited as dependent on diasporans' sense of obligation to family members (Mohan and Zack-Williams, 2002; Mohan, 2006) and also dependent on obligation to the country of origin development (Riddle et al., 2010; Riddle and Brinkerhoff et al., 2011). This study would also contribute to understanding diasporans' motivations and entrepreneurial interests (Riddle and Brinkerhoff et al., 2011). Particularly, it would contribute to knowledge in the research area which seeks to know what drives diasporans to become entrepreneurs in less attractive countries (Drori et al., 2009; Elo, 2016). On a wider perspective, the study would inform the policy attempts to engage the foreign-based skilled managerial and entrepreneurial talents as institutional entrepreneurs. Particularly, about how diasporans' activities influence policymaking in the country of origin (Harima et al., 2016). The policy aspect straddles the entrepreneurial ecosystem literature which explores the influence of institutional factors on an ecosystem and how different configurations of an ecosystem could contribute to the access to resources for entrepreneurial businesses which they could not otherwise access (Spigel, 2015).

## **1.9 Thesis outline and chapter summary**

The outline of the thesis chapters is shown in Figure 1.3 and arranged in the following sequential order. Chapter 1 introduces the thesis. Chapter 2 sets the scene by presenting the background information about the diaspora. It explores the

definitions and processes of the diaspora. Chapter 3 reviews and summarises the relevant literature on transnational entrepreneurship, theories, concepts and activities. Chapter 4 addresses the research context while the analysis of secondary data and results are presented in chapter 5. The research design and methods are discussed in Chapter 6. The analysis of empirical data and results are presented in Chapter 7, while the discussion of findings is presented in Chapter 8. Chapter 9 then ventures some conclusions while reviewing the major findings and implications of this study.

**Figure 1.3: Thesis outline**



## **Conclusion**

This introductory chapter has presented an overview of the research and the research context. A summary of the underpinning literature has also been presented. The background and the statement of the problem highlight the importance of the diaspora to entrepreneurial activities in their countries of origin. Brief summaries of prior research on diaspora transnational entrepreneurship have also been presented. The chapter also discussed areas of the current research, presented the research questions to be addressed in this research, and outlines its potential contributions to knowledge, policy and practice.

The following chapter presents a detailed background discussion of the relationships between the diaspora and entrepreneurial activities of countries of origin. It draws examples from the literature of diaspora in a variety of contexts. The chapter also presents a discussion of the Nigerian diaspora and the existing linkages between diasporans and the country of origin.



## **Chapter 2**

### **DIASPORA: BACKGROUND, DEFINITIONS AND MODES OF LINKAGES WITH COUNTRY OF ORIGIN**

#### **2.1 Introduction**

This chapter discusses the definitions and processes of diaspora. The diaspora concept is used in different literature such as anthropology, history and sociology. Consequently, it has been defined in numerous ways which makes the concept ambiguous. This chapter reviews the literature within the domain of diaspora research. It clarifies aspects of the diaspora concepts relevant to this study in order to minimise ambiguities. Subsequently, the discussion considers modes of interactions of diasporans with the country of origin which span sentimental links with family members in form of family obligations and material links which include providing funds for business activities, establishing entrepreneurial businesses, philanthropic donations, flows of financial remittances and knowledge (Mohan and Zack-Williams, 2002; Faist, 2008). Insights are drawn from some examples of linkages between diaspora and countries of origin identified from literature. Finally, the chapter discusses the background about the Nigerian diaspora, linkages with the country of origin and issues concerning engaging the diaspora for entrepreneurial activities.

## **2.2 Background and definitions of diaspora**

A diaspora comprises of actors which include individuals (diasporans) and collective actors such as diaspora organisations which includes hometown associations and business associations (Faist, 2008). The definitions of the diaspora and diasporans are multi-faceted. The discussion about what constitutes as a diaspora and who is a diasporan is important in order to understand the possibilities of diasporans engagement in transnational entrepreneurial activities. For this study, the diaspora is defined as migrants and their descendants who live in a host country and maintain a relationship to their country of origin. These migrants and their descendants are therefore referred to as diasporans (Safran, 1991). This definition is important because of the emphasis on diasporans as migrants who maintain a relationship with the country of origin.

Another definition of diasporans according to Riddle (2008) is that the term 'diasporan' refers to individuals who reside outside of their homeland. They regard themselves, or are regarded by others, as members of the national community of their homeland. The former part of this definition describes a diasporan by displacement from a 'homeland' which could refer to migration within a country of origin as well as cross-border migration. The latter part of the definition also allows for the inclusion of various categories of individuals in the definition of a diasporan. Increasingly, the diaspora is being used as a metaphor to represent several

categories of people such as expatriates, political refugees, immigrants, and ethnic and racial minorities (Safran, 1991). Brubaker (2005) argues that the present meaning of the diaspora has been stretched to accommodate various intellectual, cultural and political agendas in which it has been used. For example, Sheffer (1986, p.3) defines the diaspora as, 'ethnic minority groups of migrant origins residing and acting in host countries but maintaining strong sentimental and material links with their countries of origin—their homelands'. Such definitions are sometimes used to describe populations as 'diasporas' even though such groups have been largely settled in the host country.

The classic use of the term 'Diaspora' (usually in capital and in singular form) referred to the 'victim Diaspora' based on the link to persecution of one group by another. The term is linked to the Jewish persecution, which dates back to 586 BC. From the 1960s and 1970s, this classical meaning was extended and became more commonly used to describe the dispersion of Africans through the transatlantic African slave trade, which began in the 15<sup>th</sup> century. Safran (1991, p.83) suggests that diaspora could be defined along six characteristics: 1) they have been dispersed from a specific original homeland; 2) they retain a collective memory about their original homeland; 3) they hold a belief that they are not and perhaps could not ever be fully accepted by their host society 4) they regard their ancestral homeland as their true, ideal home, and the place to which they or their descendants would (or should)

eventually return when conditions are appropriate; 5) they share the belief that they should, collectively, be committed to the maintenance or restoration of their original homeland as well as to its safety and prosperity; and 6) they engage in an on-going relationship with the homeland.

Indeed, the attention of policy makers is also increasingly being drawn to the role that diaspora communities and diasporans play in the development of their countries of origin (Weinar, 2010). The diaspora is portrayed as representing a form of 'globalisation from below' (Mohan, 2002; Mohan and Zack-Williams, 2002). Weinar (2010) points out that from the perspective of development institutions, the recognition of the diaspora as development agent varies according to the developmental policy objectives. For example, in defining the diaspora, the African Union (AU) used the term 'diaspora' to represent a Pan-African approach that is not country specific but broadly defines such diasporans as the 'African Diaspora'. In contrast, the European Commission emphasises the voluntary character of diaspora members' contributions, implying that their emotional link to the country of origin and their readiness to contribute are the key characteristics of a diaspora. Furthermore, the United Nations (UN) and the International Organisation for Migration (IOM) define diaspora actors in development policy as individuals and the notion of collective identity is less important because community members act

on a voluntary basis, following their own individual values. The EU juxtaposes individual or atomised migrants with the diaspora community as a whole.

Based on the differences in the definition of the diaspora, Gray (2012) points out that in some respects the diaspora can become products of the economic development agendas of these institutions. This suggests a case where the term 'diaspora' has been created in order to fit policy agendas. Weiner (2010) argued that the ambiguities of the diaspora concept at the international policy level may be a result of international organisations, acting as policy entrepreneurs, favouring a broadening of the scope of the diaspora.

Despite the differences in policy definitions of the diaspora, there are three important conditions that they all share and which identify a diasporan as a development actor. These are 1) an ethnic or national origin, 2) the capability to contribute to development in country of origin, e.g. having skills to offer and funds to offer, and 3) the readiness to do so (Weinar, 2010). Similarly, Mohan and Zack-Williams (2002) point out that identity is important in understanding diaspora because it is what links a diaspora and its constituent parts to their homeland. Brubaker (2005) suggests that, rather than speak of 'a diaspora' or 'the diaspora' as an entity or a bounded group, it might be more fruitful, and certainly more precise, to speak of diasporic stances, projects, claims, idioms, practices and so on. Doing so would mean that 'we can then study empirically the degree and form of support for

a diasporic project among members of its assumed constituency [so that, for example] we can explore to what extent and in what circumstances, those claimed as members of putative diasporas actively adopt or at least passively sympathize with the diasporic stance' (p.13).

### **2.3 Modes of linkage with the country of origin**

Diasporans' entrepreneurial activities depend on the extent of friendliness and receptivity in the country of origin. It also depends on the level of integration and support that exist in the host countries (Nkongolo-Bakenda and Chrysostome, 2013). The ability of diaspora actors to enact networks, ideas, information, and practices for the purpose of seeking business opportunities or maintaining business linkages across the host country and the country of origin could be understood along a number of dimensions (Drori et al., 2009). Mohan (2002) proposes a threefold classification for examining these dimensions that could be applied to understanding the patterns of diaspora transnational entrepreneurial activities. The relationships between the categories, according to the author, are fuzzy, probably because of the contextual differences in the nature of transnational activities of diasporans. Nevertheless, they are useful in making sense of the opportunities, patterns and challenges, of entrepreneurial activities of diasporans. These dimensions are discussed below.

### **2.3.1 Connections within the diaspora**

Connections 'in place' describe the structure of a diaspora in the host country. That is, how diaspora communities secure localised connections within the host country to obtain economic and social well-being, as well as to contribute to their locality in the host country. Connections within the diaspora are also useful for facilitating entrepreneurial linkages with the country of origin e.g. the India diaspora (Saxenian, 1999). The clustering of the diaspora in a host country helps to develop a sense of empathy and solidarity that can lead to the creation of densely connected networks of intra-ethnic co-operation and trust. They are also sources of social capital because such structures generate trust, reciprocity norms, shared identity and knowledge sharing (Rauch and Trindade, 2002; Portes, 2010). Network members could, in some cases, comprise diasporans who find themselves affected by common problems at a specific time and place (Portes, 2010). Support could therefore be restricted to the network members and they can provide resources such as start-up capital, tips about business opportunities, access to markets and co-ethnic labour-force members (Portes, 1998). Such networks of close ethnic ties could also help to support concentrated groups of immigrant entrepreneurship, known as 'ethnic enclaves' by sustaining economic transactions, as evidenced for example by the spatial clustering in classic 'Chinatowns' in many world cities (Portes, 1998; Mohan, 2002; Portes, 2010).

Similarly, West African newcomers who had no familial ties and barely knew anyone in the Netherlands were supported by the diaspora members. Newcomers were supported with resources such as money, information about work, housing and moral support. They helped to fulfil three main functions: firstly, they provided migrants with the services that they lacked, secondly, they helped them to liaise with Dutch institutions and thirdly, they helped to facilitate useful contacts (Hamer and Mazzucato, 2009). However, collective support from the diaspora may not always be feasible. For example, in instances where the structure of a diaspora in the host country consists 'mainly of individuals working on their own, or at most within a voluntary and often loose community' (Barnard and Pendock, 2013, p.49). Such a structure was seen in a study (Meyer, 2001) of a group of highly skilled diasporans, where it was revealed that ethnic and native bonds were loose within the group and they did not have strong links with their fellow nationals in the host country. The diasporans also hardly attended national ceremonies and generally did not register to be part of associations specific to their country of origin. Such diasporans may, however, respond when called upon, to participate in some kind of national support scheme.

The ability of the diaspora or diasporans to participate in transnational entrepreneurial activities will also depend on factors such as its size, wealth, degree of concentration, average skill level and degree of integration in the country of



residence, as well as the economic, political and social environment of their country of origin (OECD, 2012). The degree of integration within the host country will influence the nature and extent of support that can be channelled from the diaspora. For example, diasporans who lack the right to work may not be able to express opinions about support or be able to afford to send financial support home. The legal status of migrants is also crucial, because illegal or awaiting residency status of migrants could place them in a weak position to organise support for others (Mohan, 2002; Mohan and Zack-Williams, 2002). Similarly, the ability of migrants to build inter-ethnic contacts and to realise access to resources that they typically have little of themselves may depend on how long they have lived in the host country (Lancee and Hartung, 2012).

Some diasporans may not see the need to get involved in country-of-origin entrepreneurial activities because of their awareness of organisations already dedicated to such activities. Also, diasporans may not see the reason why they should invest in or support entrepreneurial businesses that have profit-making motive. Their attitude to the ruling government could also make some diasporans or diaspora groups less willing to be involved in facilitating entrepreneurial links with the country of origin (Mohan, 2002).

However, connections in the diaspora can help to stimulate imports to the host country and have beneficial impact on the exports of the country of origin. This could

be through 'ethnic trade' or 'nostalgia trade', which consists of products from the country of origin such as foodstuffs, films and music, reading material, utensils, clothes, dishes etc. (Boly et al., 2014).

### **2.3.2 Connections across the diaspora**

Connections 'across the diaspora' refer to connections 'across space' and describe how flows from the diaspora and continued connection with the country of origin could facilitate entrepreneurial activities. The flows of money, knowledge, connections and remittances could encourage entrepreneurial activities in the countries of origin (Faist, 2008). The growth and substantial volume of migrant remittances is a key factor underlying the generation of celebratory discourses of the role of the diaspora in the development of their country of origin (Lampert, 2009). Remittances grew from about \$40 billion in 1990 to about \$167 billion in 2005, twice the sum of the OECD's annual Overseas Development Assistance (ODA) budget (Faist, 2008). The financial remittances are largely personal transactions from diasporans to their families and friends, although they are sometimes sent for philanthropic reasons or for specific projects (Amagoh and Rahman, 2014). Such financial flows can be in the form of money and gifts that can be transferred through person-to-person transfers, community-to-community transfers or business-to-business transfers, or in the form of substantial investments in new businesses (Mohan, 2002). Although it is believed that remittances at household level can

encourage entrepreneurial activities in the countries of origin (Funkhouser, 1995; Woodruff and Zenteno, 2001; Ratha et. al, 2011), there is little evidence available regarding the actual impact of remittances on business activity. Indeed, indications from research has shown that in the African context, remittances are primarily used for consumption and social events (Tiemoko, 2004).

Apart from individuals, development organisations such as hometown associations, ethnic associations and religious associations also contribute to the flows (human and financial) to the country of origin (Mohan, 2002). The practices of diasporans, such as visits back to their country of origin, could help facilitate entrepreneurial activities that extend beyond the country of residence to other places. They can establish businesses at home and travel back and forth between locales. There is also growing evidence that diasporans could benefit their country of origin through return migration, which constitutes a flow of knowledge and skills (Leblang, 2010). Human flows could contribute to entrepreneurial activities through the mobilisation of intangible resources, such as skills and talents useful for trade and investment in the country of origin, or through other forms of professional support and connections. Some of the facilitating mechanisms of the diaspora include their knowledge of the business environment, language and awareness of the culture of the country of origin (Lampert, 2012; Boly et al., 2014).

### **2.3.3 Connections through the diaspora**

Connections ‘through space’ relate to how diaspora communities could utilise their diffused global connections beyond the locality of the host country to facilitate economic and social well-being of their country of origin. It emphasises the transnational qualities of the diaspora, i.e. their mobility and geographical breadth. The dispersal of the diaspora across the globe opens up new and largely economic opportunities making the diaspora network comparable to a transnational corporation (Vertovec, 2004).

This mode emphasises the network characteristics of the diaspora and the social ties involved suggest a link between community and market principles (Faist, 2008; Cohen and Kennedy, 2007). For example, the home town associations in diaspora could be concerned with the welfare of their members in the diaspora as well as making investments in SMEs in Nigeria (Mercer et al., 2009). Such groups, if well integrated into the host societies, can take advantage of the knowledge diasporans acquire along with the knowledge of the home market to design market strategies to expand their business possibilities (Baltar and Icart, 2013).

The interest in the transnational flows of people, money and ideas, and the relationship between them, has brought diaspora home associations to the interest of scholars. These connections are deemed to be transnational, as new ‘branches’ are continuously being established around the world (Mercer et al., 2009). Through

these diaspora connections, businesses may be able to identify new market opportunities in the global economy and also serve niche markets in the host countries (Mohan, 2002). Mercer et al. (2009) react to these transnational and bottom-up developmental potential of the diaspora. Their argument is that global connections built by the diaspora being portrayed as 'networks' are for the purpose of including them into development policy. Furthermore, compared to formal networks which are overly robust and consists of ordered set of linkages, in reality diaspora associations are often loose, with temporary connections.

It is argued that it is one particular category of diasporans, namely the diaspora transnational entrepreneurs, who have the ideas, resources and employment opportunities that can have a profound impact on the economic and social development of their home countries (Riddle et al., 2010). The entrepreneurial activities of this class of diasporans tends to span national business environments, often concurrently. These ventures may take many forms, such as circuit firms, which transfer remittances and goods between the country of origin and the country of residence. Such diasporans may also establish cultural enterprises in the host country, selling goods from the country of origin to fellow diasporans, or they may run return-migrant enterprises in the country of origin (Drori et al., 2009; Riddle et al., 2010). The transnational entrepreneurs have unique perspectives and resources,

and they may be better equipped to navigate multiple institutional environments in the interests of transacting international business (Terjesen and Elam, 2009).

Kuznetsov (2006) points out that when organised, diaspora networks do engage with their country of origin, it may not be due to deliberate intervention of the government. Rather, diaspora networks could emerge spontaneously in response to entrepreneurial opportunities and this may help to sustain the networks more easily than government interventions. In some countries, however, governments can help facilitate diaspora networks by supporting the diaspora associations and arranging cultural events to encourage the establishment of linkages between the diaspora and home. It has nevertheless been suggested that in some countries it may be more effective to encourage the growth of private sector networks than involving the government directly in establishing links to the diaspora (Ratha et al., 2011).

## **2.4 Diaspora linkages with the country of origin in other contexts**

Diaspora networks are defined as 'cultural and/or familial linkages between migrant communities in the investing country and the migrant's country of origin which play a pivotal role in facilitating cross-border investments' (Leblang, 2010 p.584). There are various types of diaspora networks in the literature and there are overlaps between them. In the various forms in which they are presented in literature, the transnational traits of the diaspora networks have been linked with the economic

development of the country of origin (Vertovec, 2004; Leblang, 2010). This transnational feature extends the importance of diaspora networks beyond the host country and views diaspora communities, organisations and diasporans as development agents. For example, professional networks are diaspora networks that are made up of professionals or intellectuals from a particular country in host countries. Such networks are capable of strategically supporting and co-ordinating beneficial linkages between the host country and the country of origin (Amagoh and Rahman, 2014). Diaspora networks could also be knowledge networks (Mahroum et al., 2006; Filipović et al., 2015). Knowledge networks are established for the benefit of their home countries. They are created by expert diaspora members who have gained not only new knowledge and skills but who have also established valuable professional and social contacts. Through transnational education and experience in the job market, such diasporans are capable of identifying, capturing and mobilising skills and knowledge produced in one context for application and use in another context (Filipović et al., 2015).

There are varied modes of linkages and degrees of success in terms of efforts of the countries of origin to strengthen relationships with their diaspora in order to facilitate business linkages. For example, in countries such as Armenia, Colombia and Mexico some initiatives have lost momentum, faded away or met with little success (Kuznetsov and Sabel, 2006). The Chinese and Indian diaspora have,

however, often been successful in facilitating linkages between foreign investors and businesses in their homelands. In South Africa and Ireland, linkages that could support business have been explored through government policy and programmes.

#### **2.4.1 The Chinese diaspora and linkages with China**

The ethnic Chinese outside the People's Republic of China (PRC) have been the source of the vast majority of foreign direct investment (FDI) for China. According to Gao (2003), as at 2003 the population of ethnic Chinese living outside mainland China was estimated at about 55 million. About 50 million lived in Asia, 3.4 million in America, and the rest were spread over Europe, Africa and the Oceania. Between 1984 and 1997, the top four sources of FDI for China were Hong Kong and Macau (\$121.54b), Taiwan (\$17.51b) and Singapore (\$8.76). These locations also had the highest percentages of ethnic Chinese population e.g. 97%, 98% and 68% respectively. The ethnic Chinese in these regions have been risk-tolerant investors, particularly the Hong Kong entrepreneurs who also had the advantage of geographic proximity (Alan and Hsu, 2004). The large contributions from Hong Kong and Taiwan are attributed to factors such as ethnicity and common language (Gao, 2003).

In the early reform years, the Chinese government encouraged the willingness of investors to invest in the economy and rewarded their patriotism with various tax



and regulatory advantages. Incentives were given particularly to ethnic Chinese investors of Hong Kong, Macao and Taiwan. It was easier to do business with these investors because they were 'patriotic' Chinese (referred to as the 'compatriots' or *tongbao*) rather than capitalist profit-seekers. They were patriotic to kinship or shared native place (Alan and Hsu, 2004). The so-called 'bamboo networks' helped producers of consumer goods to find appropriate distributors, assemblers to find the right component suppliers and investors to find joint-venture partners (Rauch, 2001).

As China's economy grew, there was a shift towards knowledge-intensive, high-technology economy. This made the earlier forms of enclave economic cooperation with the diaspora, which facilitated the boom in labour-intensive manufacturing exports, less appropriate. The earlier forms of entrepreneurship and economic cooperation were unlikely to contribute to China's knowledge economy as a result of the partisan nature of such economic transactions. The transactions were also characterised by the exploitation of workers and the despoiling of the environment, and were frequently based on corrupt practices. Nonetheless, Alan and Hsu (2004) suggested that perhaps such forms of support might still contribute to the development of the less-developed interior and the coastal provinces. However, the focus of the development of the mainland was due to the market potential of the large Chinese domestic economy, as well as the opportunities for sourcing of goods

for global production networks. Newer linkages or patterns of cooperation, especially those based on education rather than kinship or shared native place, were forged between Taiwan and Silicon Valley and were transferred into China's high-tech sector. These newer forms of transnational communities became more important as the earlier versions decline in relevance (Alan and Hsu, 2004).

#### **2.4.2 The India diaspora and linkages with India**

FDI investment from the Indian diaspora was estimated at \$2.6 billion out of \$10 billion of FDI in India between 1991 and 2001 (Riddle et al., 2010). Unlike the Chinese diaspora, whose origin grew out of the traditional investment behaviour of ethnic Chinese population abroad, the success of the Indian diaspora is much more closely tied to 'changes in supply chain organisation and the emergence of transnational innovation networks than to the investments of fixed capital of India diaspora members in India' (Kuznetsov and Sabel, 2006, p.6). While the migration of Indians is not a new phenomenon, the contribution of the Indian diaspora to the economic development of India can be traced to the professional success of the Indians in the software industry particularly in the U.S. (Prashantham et al., 2015). The link between the diaspora and entrepreneurship is therefore related to the significant migration of Indians abroad to locations such as the U.K., Singapore, the Middle East and the U.S. The rise of software engineers in the U.S., as well as other

economies such as Canada, resulted in an Indian diaspora having considerable involvement in the Indian software industry (Barnard and Pendock, 2013).

The Indian diaspora were the 'reputational and credibility intermediaries that brought back substantial business opportunities in India' (Bhattacharjee and Chakrabarti, 2015, p.23). Diaspora networks played an important role in generating business and getting access to capital for the entrepreneurs who produced quality products for export (Nanda and Khanna, 2010). The businesses in the Indian software industry have been documented to use formal mechanisms to ensure the quality certifications, which indicates that the firms adhere to a well-defined process of software development (Bhattacharjee and Chakrabarti, 2015). Diaspora links were useful for the entrepreneurs because the industry is highly export oriented, i.e. the majority of software business in India is conducted for clients outside India. Software industry entrepreneurs in India without the diaspora, found it hard either to specify in advance or to easily verify the output of software products and services. However, through the transnational activities of the India diaspora, the entrepreneurs were able to overcome these challenges. The diasporans and their connections also helped with the cross-border formal contracts, which were extremely hard to enforce, and also to generate more businesses through 'relational contracting' (Nanda and Khanna, 2010).

### **2.4.3 China and India Diaspora in the Silicon Valley**

The success of the China and India diaspora in the Silicon Valley Region, and their engagement with the country-of-origin economic development could be attributed to the agency of the diasporans (Wang, 2000). The diasporans were the ones who took the initiative and risk required to do business in their countries of origin. However, their initiatives were supported by their respective governments.

The Silicon Valley diasporans were among the group of migrants who arrived in the U.S. after 1970 to pursue graduate studies. By 1990, two thirds of the foreign-born high-skilled technology workforce in the Silicon Valley region was from Asia. China and India accounted for 74% of this population. By 1998, this population of migrants had produced senior executives of a quarter of the new technology businesses in the Silicon Valley. The companies accounted for more than \$16.8 billion in sales and 58,282 jobs (Saxenian, 1999). These executives played a critical role in giving their companies the confidence to outsource work to India (Newland and Tanaka, 2010; Kuznetsov and Sabel, 2006). They facilitated the outsourcing of work to India and also established long-distance social networks that enhanced economic opportunities both for California and for emerging regions in Asia (Saxenian, 1999; Newland and Tanaka, 2010; Kuznetsov and Sabel, 2006).

Some reasons can be attributed to the success of the India and Chinese diaspora in Silicon Valley. Firstly, these groups of immigrants integrated well into the

mainstream technology economy of the host country through professional activities. Secondly, they had strong ethnic connections that created shared ethnic identities. These connections facilitated access to capital, job search, information exchange and managerial know-how. For example, a survey of Silicon Valley-based Indian software engineers showed that 89% of the respondents worked in a business founded by a fellow Indian (Prashantham et al., 2015). Thirdly, the networks were not only local to the Silicon Valley region but also extended to their home countries and beyond. Fourthly, the diasporans mentored Indian programmers to enhance the quality and performance standards of their companies' outsourced operations in India (Saxenian, 1999). Mentorship is useful to entrepreneurs when they work with mentors who they understand. It is efficient and beneficial when such relationships take place in a climate of mutual trust (St-Jean, E., and Audet, 2009).

The institutional environment created by the government, complemented the diasporans' efforts. The governments of both countries gave diaspora investors priority for establishing operations in their export-processing zones. The government also created specific incentives for businesses owned and operated by diaspora members, such as tax breaks and access to free or cheap land (Boly et al., 2014). In India, the education policy of the government, which emphasized the need for scientific education at the higher level, contributed to the surplus of well-trained

scientists, engineers and technicians, who were available in India to meet the needs of the internet and telecom booms (Kuznetsov and Sabel, 2006).

However, in the same Silicon Valley region, even though the Iranian and Vietnamese diaspora were some of the largest technically skilled diaspora groups, they could not build professional connections with their home countries. Compared to the Chinese and India diaspora, they did not have strong diaspora networks. Also, these groups of immigrants were political refugees who were not inclined to return to their countries of origin because their home countries lacked the economic stability needed for technology investment or entrepreneurship (Saxenian, 2005). Such diasporans who were forced to migrate, e.g. for economic reasons, may be apprehensive about involvement in entrepreneurial activities if they perceive the poor economic conditions persist at home (Mohan and Zack-Williams, 2002).

#### **2.4.4 The South African Diaspora**

The effort of the government of South Africa to institutionalise relations with its diaspora has not been very successful. The South Africa's knowledge network (South African Network of Skills Abroad, or SANSA) and the entrepreneurial network (South African Diaspora Network, or SADN) are the two different forms of these South African diaspora networks. Both were initiated from the country of origin rather from the diaspora. The former was initiated by the University of Cape Town's Science and Technology Policy Research Centre and a leading French agency

for scientific cooperation, the Institute of Research for Development and with the support of the South African Government. The latter was developed by the University of Cape Town's Centre for Innovation and Entrepreneurship through assistance from the World Bank Development Marketplace (Kuznetsov and Sabel, 2006). Neither network thrived as expected (Marks, 2006). The lack of success of the SANSA network was attributed to the transfer of responsibility for the network to an arm of the South African government. The new body responsible for the network was unable to sustain the initial passion and enthusiasm for the network that was shown by its initiators. The inability to sustain the network was also attributed to the fact that managing the network was not its core business or focus, and to the diasporans' distrust of the government institution managing the network (Marks, 2006). As time went on, the network witnessed reduction in number of new members (Ratha et al., 2011; Marks, 2006). However, the SADN, which was established to connect entrepreneur members in South Africa who wished to expand into international markets with diasporans, fared better, probably because of the limited government involvement in it, which gave the network greater credibility and influence (Marks, 2006).

#### **2.4.5 The Irish Diaspora**

The Irish diaspora is similar to the South African diaspora in terms of the attempts of the Irish government to formalise the relationship with the Irish diaspora for

development. The Irish government recognise its diaspora as a powerful and far-reaching resource at its disposal. The Boston-based Irish diaspora helped perpetuate the conflict in Northern Ireland for many years by supporting the Irish Republican Army through fundraising activities (Koinova, 2010). Gray (2012) points out that the Irish diaspora played a role in mobilising the support of U.S. governments in helping to bring about a resolution to the Northern Ireland conflict. With the end of the Northern Ireland conflict, the relationship between the Irish diaspora in America and Ireland began to change and sentimental links to Ireland were on the wane.

In a bid to engage the global diaspora, following the successful partnership with the diaspora in the Peace Process in the Northern Ireland, the Global Irish Economic Forum was held in September 2009 and the Global Irish Network was established in early 2010 (Gray, 2012). The Global Irish Network brings together a successful global Irish community with a record of high achievement in business and culture, as well as individuals with a strong business connection to Ireland. The network members partnered with the government in spreading key economic messages abroad, advising on specific initiatives and assisting Irish business development overseas.

There are a number of challenges with engaging the Irish diaspora: for example, some of the proposals highlighted at the economic forum were of the kind that could be more effectively progressed by the private sector. Another challenge is the government's assumptions about the strategic use of ethnicity as a claim to



entitlement to the diaspora and as a means of mobilisation for instrumental ends, as well as the persistent assumptions of ancestry as essential markers of belonging. These challenges resulted in agendas that were caught up in contradictions in relation to diverse constituencies of the diaspora and the interests of resident citizen members (Gray, 2012).

According to the Department of Foreign Affairs and Trade (2015), even though Irish business networks are flourishing around the world, there is currently no platform that brings these networks from around the world together, either virtually or in reality. Yet, these networks have a crucial role in promoting Ireland as an attractive location. The global networks could be the important facilitators of the inward investment and entrepreneurship. They could also act as a channel for agencies and Irish businesses to develop trade or other business opportunities in overseas markets.

## **2.5 The Nigerian diaspora: background**

The Nigerian diaspora began to grow in the 1950s and 1960s with the increased quest for the acquisition of Western education and skills (Ogbuagu, 1983). According to Akanle (2012) the quest for Western education which led to the modern diaspora can be linked to the church missions sending Nigerians to study abroad. Missions such as the Anglican CMS (Church Missionary Society) and the Presbyterian (United

Free Church of Scotland). Later on, parents and communities also began to gather resources needed for sending their children abroad. More Nigerians left the country following the Nigeria/Biafra (Civil) War. The numbers of Nigerians abroad also grew during the military era, due to religious persecutions, endless political unrests and ethnic/tribal conflicts. Others left Nigeria just to enhance the quality of lives for themselves and their families (Ogbuagu, 1983).

The exact size of the Nigerian migrant population is unknown because the data on migration in Africa are often missing, out of date or inconsistent with definitions. Therefore, this increases the difficulty of identifying and reaching the diaspora population within the broader migrant population. A diaspora population is a subset of a migrant population because diasporans are migrants who maintain a relationship with the country of origin (Safran, 1991). As such, all diasporans are migrants but not all migrants can be defined as diasporans. This has impact on the methodological choices made in this study and will be discussed further in chapter six. However, according to the OECD (2015a), the U.K. and the U.S. are the top destinations of migration from Africa to high-income countries belonging to the OECD. The U.K. is a popular destination for Nigerian migrants because of colonial ties between the countries. Nigeria also has a large number of skilled professionals in the U.S. (Ratha et al., 2011). Both countries are also top destinations for international students (OECD, 2015a). It is estimated that approximately 376,000

Nigerian immigrants live in the U.S. and Nigeria is the largest source of African immigration to the U.S. (Migration Policy Institute, 2015). Data on emigration from Africa to high-income countries belonging to the Organisation for Economic Co-operation and Development (OECD) and selected non-OECD destinations are of significantly better quality and are more current than data on intra-African migration (Ratha et al., 2011). Table 2.1 presents the OECD data on the Nigerian emigrant population.

**Table 2.1: Persons born in Nigeria living abroad (OECD) – 2010/11**

	Men	Women
Emigrant Population ('000)	369.5	291.4
15-24 (%)	14.0	16.2
25-64 (%)	83.1	79.5
65+	3.0	4.3

Source: OECD (2015a)

The Nigerian diaspora makes contributions such as remittances and is also involved in poverty-reduction programmes to support the economic development of Nigeria. Therefore 'it is not so much the engagement of diaspora groups that is new, but rather the interest of the Nigerian government in their potential contribution to national development' (de Haas, 2006, p.17). The Nigerian diaspora can be broadly categorised as a labour diaspora, with a large percentage of diasporans in highly

skilled and medium-skilled occupations. Table 2.2 shows the distribution of employment by occupation of the population.

**Table 2.2: Distribution of employment (%) by occupation – 2010/11**

	<b>Men</b>	<b>Women</b>
<b>Highly skilled occupation</b>	<b>44.10</b>	<b>46.50</b>
<b>Medium skilled occupation</b>	<b>41.80</b>	<b>42.50</b>
<b>Low skilled occupation</b>	<b>14.10</b>	<b>11.00</b>

Source: OECD (2015a)

As at 2004, over 10,000 Nigerian medical doctors were resident in the U.S. and there were more than 25,000 Nigerian professional health workers residing in the U.K. (Reynolds, 2004). Out of these figures, over 6,000 Nigerians who lived in Chicago worked as physicians, college professors, nurses, venture capitalists, C.E.O.s, managing partners, engineers, accountants, insurance company executives and software developers (Reynolds, 2004). In 2014, it is estimated that about 26% of all registered medical doctors and 20% of all registered pharmacists in Nigeria are working abroad (Amagoh and Rahman, 2014).

### **2.5.1 The Nigerian diaspora in the host country**

Even though the Nigerian diaspora has well-represented geo-ethnic groups, it does not appear that business investment being made in Nigeria is comparable to what the patriotic ethnic Chinese diaspora did. Nigeria's multi-ethnicity is reflected in the structure of the Nigerian diaspora. The Nigerian diaspora organisations are diverse and organised along different groupings such as professional, faith, trade, NGOs

and political groups. The organisations also include community groups such as village and hometown associations (Lampert, 2012; Amagoh and Rahman, 2014). These associations help to mobilise the resources from the diaspora communities and to channel resources back home often to support developmental activities (Lampert, 2009). The extent of developmental contributions of these associations to the homeland is however contentious. Sometimes the financial support sent does not reach the grassroots as it was intended due to mismanagement or diversion of funds (Lampert, 2012). Empirical research of the Nigerian diaspora organisations (Lampert, 2009) in London identified 367 London-based Nigerian Diaspora organisations. Out of these, 236 (64%) were geo-ethnic organisations and the objectives of such groups were primarily in relation to the interests of their shared ancestry (Lampert, 2009). These geo-ethnic associations, or community-based networks, are collective entities that sometimes provide access to funds to help support setting up their members' businesses or donate useful equipment to members establishing new businesses in the diaspora (Lampert, 2010). According to Reynolds (2004) in the U.S., the Nigerian diaspora has a custom of caring for one another, which has an effect on the socioeconomic order both in the diaspora and at home. This is particularly true among the Igbos through direct gifts of cash in ceremonial situations, as well as through contributions to development projects and investments in Igboland. Igbo speakers abroad 'foster the individual development

of relatives by investing in Igboland businesses that specifically employ and keep family members' (Reynolds, 2004, p.21).

Unlike the India diaspora with a large diaspora in the technology sector, it seems that there are more medical professionals in the Nigerian diaspora. The Nigerian diaspora professional associations are said to contribute better to national development because they pursue Pan-Nigerian visions of belonging and development (Lampert, 2010). Professional associations that exist in the diaspora could transfer their expertise and skills to the homeland, without necessarily returning home permanently (Amagoh and Rahman, 2014). For example, some Nigerian physicians and health professionals, such as those belonging to the Association of Nigerian Physicians in the Americas (ANPA), occasionally visit Nigeria collectively, in a voluntary capacity, to assist in implementing community health projects (Hernández-Coss and Bun, 2007). However, such medical missions have been criticised. It is argued that instead of such visits, diaspora medics and their associations should focus on developing the wider infrastructure by supporting businesses that can maintain medical equipment in the country of origin (Lampert, 2010).

The Nigerian diaspora does not appear to be highly entrepreneurial compared to the India or Chinese diaspora. However, the Nigerian diaspora business owners are a relatively highly educated group. In the U.K., business owners usually possess

some kind of post-secondary educational certificate or diploma, with about four out of five having at least a first degree (Fadahunsi et al., 2000). However, like other African businesses in the U.K., Nigerian diaspora entrepreneurs are concentrated in vulnerable, easy-to-enter and quick-to-exit sectors, and are marginally managing to survive. There are limited support mechanisms in place for such businesses (Nwankwo, 2005; Nwankwo et al., 2010; Ojo, 2015).

Although Nigerian businesses with international network links are spread across a number of sectors, the strongest ongoing links tend to be those in the food sector (Fadahunsi et al., 2000). Nevertheless, within the food sector some entrepreneurs appear to lack adequate skills and knowledge about rules and regulations governing business activities. Some have lost money due to lack of understanding of the requirements of the Her Majesty's Revenue and Customs regarding importation of certain categories of food from Africa (Ojo, 2015).

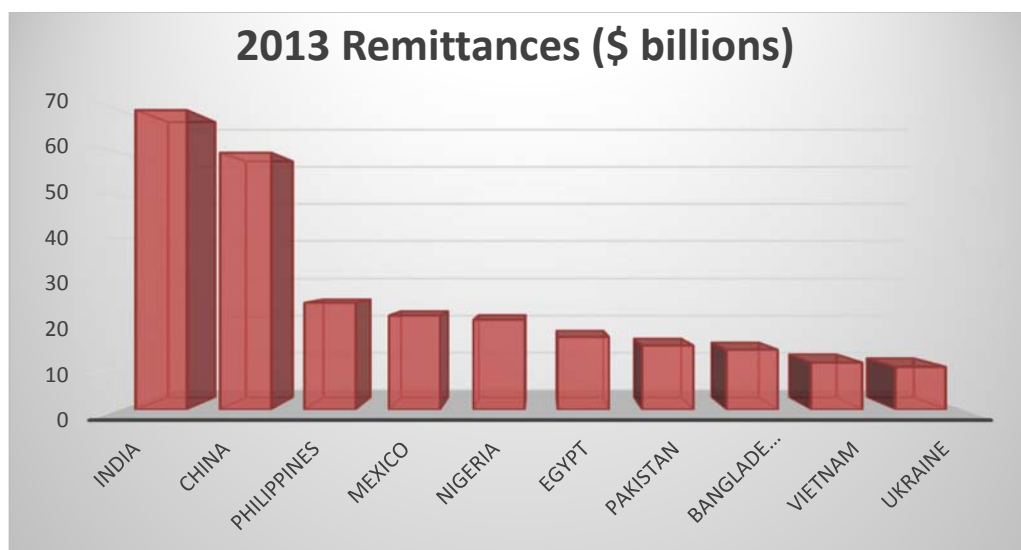
### **2.5.2 Financial remittance inflows to Nigeria by the diaspora**

Even though the value of remittances sent by the Chinese and Indian are higher than Nigeria's, the financial inflows or remittances into Nigeria are also large and growing. The strength of the Nigeria diaspora seems to be its financial investment capacity. The country is one of the highest-remittance receiving countries. Remittances represent 'transfers by the migrants' to home country through official channels from the country where they work or live' (Fonta et al., 2015, p.348). Figure

2.1 shows the 2013 bilateral remittance flows of the top-ten remittance-receiving countries of the World Bank. Nigeria ranked fifth, with a remittance figure of \$21billion.

The number of migrants in the OECD countries is the primary determinant of remittances. The figures are indirectly derived using the data and estimates on the foreign-born population along with assumptions about the remittance behaviour of migrants (Freund and Spatafora, 2005).

**Figure 2.1: 2013 Top 10 remittance-receiving countries (global)**



Source: Worldbank (2014b)

Remittance can be viewed as a form of informal welfare system, which is considered to be required due to limited formal welfare systems in Nigeria (Hernández-Coss and Bun, 2007). The reasons diasporans remit money to Nigeria could be for



individual or collective use. The typical remitter is 'altruistic and sees remittances as a means of providing economic support to individual recipients at home' (p.8).

For individual remittances, the patterns of remittances could differ according to the anticipated length of stay of diasporans. It differs among those who plan to return after a temporary residence abroad, those who prefer to maintain residences in both countries and those who have no plans to return. Those who plan to return typically save and remit more money home to support their future return home, e.g. to buy a house. Diasporans with closer ties to Nigeria tend to remit money more frequently than those with fewer links, e.g. those born in the diaspora. Remittance-sending also differs according to the level of skills. According to Hernández-Coss and Bun (2007) Nigerian diasporans in the lower income brackets send money more frequently. Many of such diasporans are women, who have left their families back in Nigeria and moved abroad because of desperate economic reasons. Diasporans in the higher income levels typically have a high standard and cost of living because of their lifestyle commitments such mortgages and expensive car payments. They tend to send fewer remittances but may send large amounts at a time, e.g. during the holidays or for social events such as weddings and funerals. Through remittance sending, diasporans are able to stay in touch with their families and improve their economic situation. Individual reasons for sending remittances include the feeling of obligation to provide for immediate family members as well as for extended

family, friends and orphans. A survey among end-uses of remittances in Nigeria shows that, apart from supporting family members, Nigerian diasporans tend to invest more in activities that could enhance prestige or influence in the society when they eventually return home, e.g. building, building repairs, donations for weddings and funerals (Fonta et al., 2015). The Ghanaian diasporans were significant for development in Ghana in terms both of household survival and public action. They assisted the development of their hometown because they have parents and other relatives' resident there who need such facilities to survive. However, less tangible was the importance of belonging and a 'sense of place' (Mohan, 2006).

Collective remittances are usually through hometown associations (HTAs), diaspora networks, and other interest groups that exist to influence homeland politics and to develop social projects. The majority of HTAs are unregistered as charities and do not develop formally as non-profit organisations. The leaders are usually volunteers who have other occupations (Hernández-Coss and Bun, 2007). The HTAs raise funds among group members through membership fees and fundraising events. The collective remittances transmitted tend to be aimed at health, financing local cooperative enterprises, education and public infrastructure projects 'at home'. The relationship with 'home' however tends to be tentative and with caution because of mistrust. This gives an indication of the way in which mistrust often constrains and may even completely undermine collective transnational cooperation (Lampert,

2010). For example, the fragility of the relationship and mistrust could be linked to past record of home-based organisations failing to implement projects in accordance with the HTAs wishes and expectations (Lampert, 2010).

### **2.5.3 Mobilising support for SMEs**

The Nigerian government, in response to SME constraints, attempts to build a thriving entrepreneurial ecosystem by bringing together existing programmes targeted at SMEs under a holistic framework to foster entrepreneurship development. The entrepreneurial ecosystems are defined as ‘combinations of social, political, economic and cultural elements within a region that support the development and growth of innovative start-ups and encourage nascent entrepreneurs and other actors to take the risks of starting, funding and otherwise assisting high-risk ventures’ (Spigel, 2015 p.2). The two major programmes are the, One Local Government One Product (OLOP) in which each local government of Nigeria would identify one product that can be competitively produced for domestic consumption or exports and the Market Access Nigeria (MAN) which would help SMEs with local and international market access (NEDEP, 2014; Iwuchukwu, 2014; Oseni and Oseni, 2015). The three implementing agencies of the ecosystem under the Ministry of Industry, Trade and Investment are the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), the Bank of Industry (BOI) and the Industrial Training Fund (ITF).

The SMEDAN provides business support services e.g. help small businesses prepare bankable business plans. The agency's role is also to facilitate the promotion and development of a structured and efficient micro, small-and-medium enterprises (MSME) sector that will enhance sustainable economic development in Nigeria. As an apex institution, it is charged with the responsibility of co-ordinating all matters relating to starting, resuscitating and growing MSMEs in Nigeria. The agency provides MSMEs with services that include, but are not limited to, business information generation and dissemination, access to market and finance, creation of business awareness, business development services and improved business environment policy advocacy (Small and Medium Enterprises Development Agency of Nigeria, 2010).

The BOI provides funding for eligible small businesses. The bank is the Federal's Government's development financial institution whose core activities include, resource mobilisation, financing (Long Term, Short Term and Equity), industrial policy formulation and business development support. On 26 May 2011, the African Development Bank (AfDB) Group approved a sovereign guaranteed program of USD 500 million to the BOI for financing domestic oriented SMEs and for the development of export oriented SMEs in Nigeria. Portions of the fund are being used to provide lines of credit and technical assistance for capacity building for SMEs (Bank of Industry, 2011). The ITF support SMEs in skills improvement through the

provision of trainings. The ITF is a government agency responsible for providing skills trainings to generate skilled indigenous manpower to man and manage various sectors of the national economy (Industrial Training Fund, 2015).

Policy and regulation, access to finance, capacity building, access to markets, access to resources, business support and research and development are the key players in the Nigerian entrepreneurial ecosystem (Fate Foundation, 2016). The Nigerian diaspora is included in the ecosystem through the Nigerian Diaspora Export Programme (NDEX), which taps into the vast network of Nigerian around the world to support market access (Iwuchukwu, 2014; Fate Foundation, 2016). The support from the diaspora is expected to help to strengthen access to resources for SMEs in Nigeria. As SMEs thrive therefore, it is anticipated that the country will be closer to achieving its economic development strategy to reduce the high unemployment rate and alleviate poverty in Nigeria.

#### **2.5.4 The Nigerian diasporans as change agents in the SME sector**

After the return of Nigeria to civilian democratic rule in May 1999, the then President Olusegun Obasanjo held series of dialogues with Nigerians abroad. His purpose was to create opportunities that would enable the Nigerian diaspora to participate in national development. The dialogues led to the establishment of the Nigerians in the Diaspora Organisations (NIDO) which the President described as an NGO to

‘establish structures and networks that will promote the use of special skills of Nigerians in diaspora’ (Lampert, 2010, p.20). In the president’s speech, he promised that some state funding would be provided to assist the establishment of NIDO. The government would be the end user of the services of NIDO and the services would be compensated (Lampert, 2010). Presently, the organisation has branches across Europe, the U.S., Canada and Asia. Apart from NIDO another agency, the Nigerian National Volunteer Service (NNVS) was also established in 2004. NNVS is an agency within the office of the presidency, having the support of the Federal Ministry of Science and Technology. It acts as an enabling intermediary between the diaspora and the Nigerian government in mobilising the diaspora community and socio-economic development (Lampert, 2010).

The presidential dialogue with Nigerians abroad aimed at incorporating the Nigerian diaspora into national development policies. Through the dialogue with the diasporans, the government expressed its willingness to establish and reinforce links with them, as well as the numerous associations the diasporans have established abroad (de Haas, 2006).

The successor to the Obasanjo government, President Goodluck Jonathan in 2013 inaugurated the National Enterprise Development Programme (NEDEP). He pointed out that the fruits of the current economic growth of the country should be felt by all. The NEDEP was launched as an offshoot of the transformation agenda of

the Federal Government through the Federal Ministry of Industry, Trade and Investment and the MSME policy review. It was designed to address the challenges constraining the growth of the SME sector in Nigeria. The objective of NEDEP is to directly respond to the challenges identified by the 2010 MSME Collaborative survey carried out by the Small and Medium Development Agency (SMEDAN) and the National Bureau of Statistics (NBS). Within the NEDEP programme are a series of interventions to sustain small businesses in areas such as; access to finance, access to markets, support to formalise their businesses, improved skills and technology acquisition, business support services and MSMEs infrastructure (Iwuchukwu, 2014; National Enterprise Development Programme, 2014).

The Nigerian government also included the diaspora in its development plans through the issuance of diaspora bonds. Around August 2013, the government issued the diaspora bond for investment by the Nigerians in diaspora. The diaspora bond is a debt instrument issued by the country to raise low-cost finance for development by leveraging on the overseas diaspora. The funds are intended to help finance projects that are critical for economic development such as railways, roads, power plants and related projects (Ketkar and Ratha, 2007).

The revised Micro and Small-and Medium-sized Enterprises (MSME) policy (Federal Republic of Nigeria, 2014) also recognises the potential of the diaspora in providing support by meeting the resource needs of SMEs. In bringing these into

reality, the Enterprise Development Programme was launched in 2013, with the Nigerian diaspora included the Nigerian entrepreneurial ecosystem. The government envisages a harmonised support from the Nigerian diaspora that could assist SMEs through access to financial resources, technology transfer, networking and market development.

### **2.5.5 Challenges of mobilising the Nigerian diaspora for entrepreneurial activities**

There are challenges within the Nigerian diaspora which may make mobilising diasporans for entrepreneurial activities in a co-ordinated way difficult. For instance, personal challenges faced by some diasporans as well as the individualistic tendencies among diasporans could limit the ability to mobilise the diaspora for resource support for SMEs. It is argued that, 'the limits to diasporic mobilisation are a product not only of the challenges of living and progressing 'abroad' but also of an increasingly individualistic and self-indulgent diasporic disposition' (Lampert, 2010 p.180). Nigerian diasporans have concerns about returning home or investing. They are worried about the low levels of security and institutionalised corruption in Nigeria. Some are also concerned about security because, due to their perceived wealth, many diasporans are targets of robbery attacks when they visit Nigeria (de Haas, 2006). Diasporans who were forced to migrate e.g. for economic reasons may be apprehensive about engaging in entrepreneurial activities if they perceive that



militating conditions at home persists (Mohan and Zack-Williams, 2002). The practice of investing capital in land or in other enterprises in Nigeria seems to be getting rarer, because of frustration from continued information about economic instability in Nigeria (Reynolds, 2002). Some diasporans desire to help the poor and the grassroots in Nigeria but rarely do so because of their own difficult financial circumstances and their lack of trust in people and institutions in Nigeria (Page and Mercer, 2012).

The individualistic disposition and the eroding of the desire of Nigerian diasporans to come together for the benefit of 'home' could be explained as the result of diasporans exposure to Western individualism which could disrupt the traditional systems of obligation to extended family and wider community. Yet again, it may well be that the, 'transnational abilities and desires of diasporans are simply not as strong as is often assumed in celebratory discourses of diaspora and development' (Lampert, 2010 p.170). The concept of assimilation assumes that the longer the stay of diasporans abroad, the greater the likelihood of being thoroughly absorbed in the host society such that they adopt the host 'society's sociocultural and economic systems while simultaneously shedding their 'old' cultural practices and political loyalties' (Guarnizo et al., 2003, p.1215). However, Akanle and Olutayo (2011) explored how issues relative to kinship and its dynamics operate among some Nigerian diasporans. Their study found out that, despite the number of years being

abroad and exposed to foreign values and modernisation, kinship values and norms were not eroded among the diasporans. However, for some diasporans, their children do not appreciate similar kinship ideals. Reynolds (2002) found individualistic patterns among a cohort of Nigerian youths' in diaspora. These group of Nigerian diasporans do not rely on the support from ethnic 'enclave' neighbourhoods and are more individualistic in their professional pursuits. Most of them are from middle class Nigerian families. Some came from families where the parent moved around a lot because of their professions. Growing up, some moved around within Nigeria and Ghana with their parents in pursuit of professional opportunities. This probably contributed to their ability to survive without relying on ethnic network support in the diaspora. Therefore, unlike other working-class migrants, these group of professionals are more widespread in terms of geographic living locations because they make such choices based on professional affiliation rather than the clustering in ethnic neighbourhoods.

The attempts of the Nigerian government to engage the diaspora for SME support are based on the belief that useful resources are embedded in the diaspora and that these can be collectively harnessed. It suggests that the diaspora is capable of collective action and similar to other networked organisations (Beine et al., 2011; Meyer, 2001). However, such collective view of the diaspora as being based on bounded groups, where diasporans act collectively or homogeneously has been

criticised (Brubaker, 2005). Though the success of the Chinese diaspora in attracting foreign investments is attributed to the agency of the ethnic Chinese, without whom it would have been much more difficult for foreign companies to use informal personal networks to complement and compensate for the weak formal legal institutions in China (Wang, 2000). The strong ethnic connections and shared ethnic identities of the Chinese and India diaspora in the host country also contributed to the diasporans ability to initiate and to support entrepreneurial activities in the countries of origin. With regards to the Nigerian diaspora, its challenging to co-ordinate a formal diaspora network. Lampert (2012) pointed out the NIDO which was instituted to act as the co-ordinating body for the various active development associations of Nigerians abroad, has little connection with diasporans and diaspora organisations. For example, there is less trust and respect among the wider population of individual and organised U.K. - based Nigerians and the umbrella body (Lampert, 2012). Being state instituted, it could be as result of a feeling of distrust among diasporans towards the Nigerian state (de Haas, 2006). Mercer et al. (2009) argue that people from the same place can be transnational in different ways. The argument suggests that the motivations which drive interests in transnational activities in the country of origin could differ across diasporans. It also suggests that diasporans may choose to assume roles different from the expectations of others. The perspectives of individual diasporans are therefore relevant, in order to

understand the transnational entrepreneurial activities. However, governments and international agencies interested in pursuing development assistance from the diaspora often look to diaspora organisations as entities that should be engaged (Lampert, 2012; Weiner, 2010).

## **Conclusion**

The chapter presented the discourse about the linkages between diaspora and country of origin. The definitions and the definitional issues surrounding the concept of 'diaspora' were explored. The chapter also discussed differences in the linkages between the diaspora and the country of origins from the Chinese, India, South African and Irish diaspora contexts. The nature of linkages between the Nigerian diaspora and the country of origin were also discussed. Finally, the chapter considered the challenges of mobilising the Nigerian diaspora as a collective for transnational entrepreneurial activities. Since the aim of this current study is to describe the possibilities for Nigerian diasporans participation in transnational entrepreneurial activities. The next chapter reviews and discusses the literature on transnational entrepreneurship. This is the theoretical framework that explains the transnational entrepreneurial linkages between the diaspora and country of origin from the individual diasporan's perspective.

## **Chapter 3**

### **TRANSNATIONAL ENTREPRENEURSHIP: THEORIES, CONCEPTS AND ACTIVITIES**

#### **3.1 Introduction**

This chapter reviews the body of literature in the area of transnational entrepreneurship to which this research makes theoretical and methodological contributions. The chapter highlights the current knowledge in the research area. It begins with the introduction of the concept of entrepreneurship and the entrepreneur. The modes of diaspora transnational entrepreneurial activities are also discussed. Finally, the chapter discusses the theories and concepts that explain the transnational entrepreneurial activities of diasporans.

#### **3.2 Entrepreneurship and the entrepreneur**

Entrepreneurship is defined as the creation of new products or processes (Schumpeter, 1934). It is also defined from a firm-level perspective as 'entrepreneurial orientation' e.g. an innovative entrepreneurial business (Lumpkin and Dess, 1996). Three important characteristics of entrepreneurship are, opportunity recognition, discovery and exploitation (Shane and Venkataraman 2000). There are different definitions and perspectives about entrepreneurship and who an entrepreneur is. However, none of the numerous definitions which have been offered has been able to effectively explain the concept (Venkataraman. 1997).

Entrepreneurship has been distinguished in terms of what derives it. Necessity-based entrepreneurship describes the initiation of activities that are intended to lead to a viable new firm. Such activities are carried out by people who start a business because other employment options are either absent or unsatisfactory (Hechavarria and Reynolds, 2009). Henrekson and Stenkula (2010) argue that even though regarding necessity entrepreneurship as entrepreneurship is questionable, with adequate support necessity entrepreneurship may become opportunity entrepreneurship at a later stage. Opportunity recognition is another important concept in entrepreneurship. Opportunity-based entrepreneurship describes those who choose to start their own business by taking advantage of a perceived entrepreneurial opportunity (Hechavarria and Reynolds, 2009).

It is also worth mentioning that entrepreneurship and SMEs are two concepts often used interchangeably in literature and in practice. Although there are differences between the two, there are also overlaps between them (Henrekson and Stenkula, 2010). Entrepreneurial firms are innovative because they tend to engage in and support new ideas, originality, experimentation, and creative processes which may result in new products, services, or technological processes (Lumpkin and Dess, 1996; Wagener et al., 2010). In terms of the overlap between SMEs and entrepreneurial firms, firstly, both may establish what did not previously exist e.g. establish an enterprise (Carland et al., 1984). Secondly, risk taking propensity is

often mentioned as a distinction between SMEs and entrepreneurial firms. However, it has been pointed out that risk is inherent in ownership rather than in entrepreneurship. As a result, both SMEs and entrepreneurial firms could have risk taking propensity (Carland et al., 1984). Thirdly, entrepreneurship refers to a person's commitment to capital accumulation and business growth. As such, there are SMEs that have growth orientation which makes the owners or managers of such enterprises qualified to be entrepreneurs (Smallbone and Welter, 2006).

### **3.3 The research domain of transnational entrepreneurship**

The phenomenon of transnational entrepreneurship draws attention to the growing appreciation of migration as a positive force for both home and host countries (Terjesen and Elam, 2009). Transnational perspective of diaspora entrepreneurship provides a useful framework for studying contemporary migrating populations. The transnational relationships of diasporans tend to be fluid and dynamic (Schiller et al., 1992). This implies that the diaspora consists of multiple actors who adopt various modes in making use of the opportunities offered by globalisation in ways similar to transnational corporations (Mohan, 2002; Mohan and Zack-Williams, 2002; Vertovec, 2004). Transnational entrepreneurship therefore recognises that it is necessary to understand the processes underlying the experiences of the diasporans that span both the host country and the country of origin.

The conceptualisation of the diaspora as ‘transnational’ explores the processes by which diasporans build social fields that link together their country of origin and their host country (Drori et al., 2010). As shown in Table 3.1 transnational entrepreneurship lies within the domain of international business, specifically in the subfield of international entrepreneurship (Drori et al., 2009; Elo, 2015). However, much of the international business literature tend to focus on the role of transnational or multinational corporations (TNCs or MNCs) and their subsidiaries while international entrepreneurship focuses on the different strategies employed by international entrepreneurial firms. Both side-step discussions about the individual entrepreneurs who engage in international activities (Drori et al., 2009).

**Table 3.1: Comparison between research domains**

	<b>International entrepreneurship</b>	<b>Ethnic entrepreneurship</b>	<b>Transnational entrepreneurship</b>
Research theme	Strategies employed by international entrepreneurial firms	Ethnic entrepreneurial activities in the country of residence such as those carried out within ethnic enclaves.	International activities of diasporans who maintaining business related linkages with their country of origin, and current country of residence.
Research focus	Firm level analysis of cross-border activities of entrepreneurial firms	Individual level analysis of ethnic entrepreneurship within the country of residence	Individual level analysis of the transnational entrepreneurial activities of diasporans which span countries of origin and residence



Drori et al. (2009) distinguishes between transnational entrepreneurship and ethnic entrepreneurship (EE) which consists of enclave entrepreneurship and middleman minorities. Enclave entrepreneurship activities are bounded by a certain location and are usually populated by co-ethnics. The entrepreneurs retain their cultural heritage and residence in ethnic enclaves. Their non-assimilation into the host society is an integral part of their business strategy. The 'middleman minorities' entrepreneurs were the earlier description of transnational entrepreneurs. They were described by their economic role as 'middlemen' in certain trade and commerce occupations such as agents, labour contractors, money lenders, or brokers. The 'middlemen' take advantage of ethnic resources such as language, international networks, and skills to trade between their host and origin societies (Terjesen and Elam, 2009). Both middlemen and enclave entrepreneurship are entrepreneurial activities which 'serve as a kind of survival mechanism in a host society that otherwise constrains integration or equal opportunity' (Drori et al., 2009, p.1004).

Based on the foregoing, transnationalism is not an entirely novel phenomenon but the current emphasis is on the significance and potential influence of transnationalism in the receiving and sending countries (Portes et al., 2002). Modern transnationalism is facilitated by advances in communication and transportation technologies which has enhanced the use of e-mail, low cost air travel, host country

multiculturalism and entrepreneur visas (Drori et al., 2009; Terjesen and Elam, 2009). Transnational entrepreneurship focusses on how people are 'simultaneously engaged in their home country and the country in which they live, resulting in back and forth movement of people, goods, money and ideas' (Mazzucato, 2008, p.200). According to Drori et al. (2009) transnational entrepreneurs (TEs) are those individuals who maintain ties with a common cultural heritage or origin. They are individual migrants who concurrently maintain business related linkages with their country of origin and current country of residence. Consequently, they make use of networks, ideas, information and practices for the purpose of seeking business opportunities or maintaining businesses across both countries.

### **3.3.1 Diaspora transnational entrepreneurship**

One of the key questions which researchers seek to know in the diaspora transnational entrepreneurship literature is: what drives diasporans to become entrepreneurs in less attractive countries? (Drori et al., 2009; Elo, 2016). The entrepreneurial interests of diasporans in their country of origin vary and the motivations are often complex (Riddle and Brinkerhoff et al., 2011). Motivations vary even as human beings differ in their preferences (Mercer et al., 2009). There are also differences in the nature and success of entrepreneurial activities of diasporans in the country of origin and these differences have been traced to institutional factors which operate differently across contexts (Saxenian, 2005; Stam et al., 2014).

Transnational entrepreneurship stems from the individual-level approach of the entrepreneurship research which is concerned primarily about how prospective entrepreneurs go about acting. McMullen and Shepherd (2006) explains that studies from this research perspective seek to explain why some individuals are more likely than others to pursue possible opportunities. Important predictors of transnational entrepreneurship are gender, marital status and human capital. Past research has consistently shown that gender is the most powerful factor and that married males are overrepresented among these entrepreneurs. Human capital, in the form of years of education and high occupational skills also play a significant role in business success (Portes et al., 2002). It is believed that people with higher risk-taking propensity are more likely to exploit entrepreneurial opportunities because entrepreneurs must make decisions that involve uncertainty, invest resources before they know the outcome of those investments often in the absence of insurance, futures markets, or strategies for diversification (Eckhardt and Shane, 2010).

Transnational entrepreneurship research is interested in the specific obstacles that potential diaspora transnational entrepreneurs face which may impede the realisation of their transnational venture ideas (Riddle et al., 2010). Harima et al. (2016) point out that there is also interest in the motivations of transnational diaspora entrepreneurs with regards to business opportunity, homeland sentiments

and altruism because recent literature on diaspora transnational entrepreneurship has been inconclusive with regard to their motivations.

### **3.4 Diasporans and transnational entrepreneurial activities**

Transnational entrepreneurs 'are individuals with unique perspectives and resources who are especially well equipped to navigate multiple institutional environments in the interests of transacting international business' (Terjesen and Elam, 2009, p.1096). The transnational diaspora entrepreneurs vary in characteristics (Elo, 2016). They may be circular migrants or professionals who carry out business activities. They may also be 'classic individual entrepreneurs, co-entrepreneurs, business owners, investors or multi-entrepreneurs' (Elo, 2016, p.123). For example, business linkages between China and Australia were facilitated by the Chinese diaspora in Australia who were either business owners or key decision makers in their companies (Tung and Chung, 2010). Diasporans in the Silicon Valley who facilitated transfer of knowledge to improve technology entrepreneurship their home countries were not typical entrepreneurs but engineering graduates (Saxenian, 2005). Transnational diaspora entrepreneurs and investors in China and Egypt invested in their countries when such moves were deemed unattractive by multinational corporations. They were mostly professionals whose investments in the country of origin were their first business creations (Gillespie et al., 1999).

Transnational entrepreneurial activities are those distinctive actions carried out by the entrepreneur such as opportunity recognition, access to resource and mobilisation, and the creation of an organisation (Hoang and Antoncic, 2003). Diaspora transnational entrepreneurship is highly heterogeneous due to the diversity of the people founding such businesses. Dimensions of sub-classifying diasporans include motivations for becoming diasporan entrepreneurs, the socio-economic and educational background (Harima et al., 2016). Diasporans engage in cross-border activities because they have unique resources e.g. diaspora networks which can have a positive impact on their business success (Kuznetsov, 2006). Terjesen and Elam (2009) argue that even though diasporans may possess some of these resources, they do also require access to complementary resources such as information, exchange, and influence needed to establish and run their own businesses. Diasporans could make use of their diverse connections to engage in transnational entrepreneurial activities.

### **3.5 Modes of diaspora transnational entrepreneurial activities**

Some of the resources diasporans possess which can be useful for entrepreneurial activities identified in the literature are presented in Table 3.2. These resources are also useful for understanding the modes of transnational entrepreneurial activities undertaken by diasporans.

**Table 3.2: Diaspora resources and entrepreneurial activities**

<b>Diaspora resource</b>	<b>Entrepreneurial activities</b>	<b>Examples</b>
Knowledge of diasporans: Knowledge of home country market, languages, preferences and business contacts.	*Helping entrepreneurs identify market opportunities and source commodities. *Connecting investors in their country of residence to companies in their country of origin.	Gould (1994); Tung and Chung (2010); Leblang (2010).
Connections of diasporans: Access to and link with a wide range of potential partners and supporters in both their countries of origin and their countries of residence.	*Facilitating and channelling of resources by acting as an intermediary for businesses in their country of residence.	Meyer (2001); Mohan and Zack-Williams (2002); Saxenian (2006); Mahroum et al (2006); Terjesen and Elam (2009); Riddle et al (2010); Boly et al. (2014); Ehrhart et.al. (2014).
Information possessed by diasporans	*Supporting investors to decrease asymmetries of information and enforce contracts.	Gould (1994); Portes (1998); Rauch (2001); Rauch and Trindade (2002); Gao (2003); Leblang (2010); Boly et al. (2014).
Financial means of diasporans: Financial flows (remittances) to the country of origin through money transfers.	Used for business investments. Support for ethnic trade or nostalgic trade of their country of origin by purchasing ethnic foodstuffs and other cultural products.	Portes (1998); Vertovec (2004); Ratha et al. (2011); Boly et al. (2014).
Skills of diasporans: Acquired skills and work experience.	Provide powerful mechanisms for identifying and constructing relationships with the home-country counterparts. Use of skills and experience to set up entrepreneurial business in the country of origin.	Mohan and Zack-Williams (2002); Saxenian (2005); Ratha et al. (2011); Ehrhart et.al. (2014).

Diasporans are business enablers who possess useful resources such as ethnic culture, social networks, values, attitudes towards entrepreneurship and economic behaviour, religion, cultural institutions and family structures. They also possess an ‘immigrant effect’ in their activities which helps them approach the opportunities and threats of entrepreneurial activities differently (Elo, 2016). The conceptual dimensions of diasporans investment (Elo and Riddle, 2016, p.18) deduced from the extant research literature are presented in Table 3.3.

**Table 3.3: Analytical typology for diaspora investment**

<b>WHO? investor</b>	<b>Where? Place of investment</b>	<b>For what? Type of investment and its object</b>	<b>Why? Purpose of investing</b>
Person (diasporan)	Home/host country	Remittances for family, Entrepreneurial investment in a venture, capital investment in a venture, fund or other	Livelihood, social status, individual or family prosperity, profit
	<b>RETURN? Motivations driving the investment</b>	<b>ENABLER? Knowledge and connections</b>	<b>SUPPORT OR BARRIER? Country setting and corruption</b>
Person (diasporan)	Economic necessity, Personal financial independence, profit, willingness to help, fulfilment of social duty, social-status gains, political benefits, return to homeland	Person-centred, family-, socio-cultural- and religious networks, learning systems	Difficult business environment with high corruption is a barrier, but the diasporan may be better equipped to cope with the challenge, access to local-based help
	<b>SUPPORT OR BARRIER? Institutions and legal frame</b>	<b>HIGH OR LOW? Risk</b>	<b>HIGH OR LOW? Opportunity</b>
Person (diasporan)	Support programs and local- based help may constitute facilitating factors, while impediments to repatriation, circular life and venturing are barriers	Risk is individually perceived, risk for the diasporan may lower due to market specific knowledge, diasporans are not risk affine per se	Opportunity is a key driver; opportunity is often perceived easier by a diasporan than by others due to dual/multiple embeddedness

Source: Elo and Riddle (2016)

### 3.5.1 Diaspora investments

Diaspora investments are heterogeneous because they take many shapes and forms.

These different modes are initiated by different actors for various ends (Elo and Riddle, 2016). Remittances transacted by an individual diasporan or a collective of diasporans are examples of diaspora investments (Elo, 2015). Diaspora investors vary according to factors such as nationality, gender, education, necessity, available alternatives in life, level of prosperity and family setting. Some diasporans accept below-market rates of return on investment due to patriotic sentiments (Elo and

Riddle, 2016). Diasporans serve as investors as well as middlemen who play a crucial role in brokering foreign investments into the country of origin (Faist, 2008). For example, such brokering role by the Chinese and Indian diaspora have been very successful in attracting foreign direct investments (FDI) to their countries (Boly et al., 2010). Diasporans' home-country investments are also through the diaspora portfolio investment (DPI) such as diaspora bonds issued by country of origin government, stock purchase in the country of origin, investment in mutual funds comprised of companies in the country of origin (Elo and Riddle, 2016).

According to Elo and Riddle (2016) the typologies of diaspora investors include: firstly, the family investors which makes use familial networks and exhibit guanxi-style behaviour. Secondly, diasporan-owned or co-owned firms which could be likened to classic foreign investors. Thirdly, diaspora investment funds or clubs are collective diaspora actors motivated by profit and opportunity but they often also present motivations related to homeland development.

Diaspora investors could benefit from exclusive information about investment opportunities in their countries of origin. They may invest directly in the country of origin using the information they have regarding their countries to invest (Ratha et al., 2011). Diasporans are contributing to the economic development of the country of origin when they make financial investment, support their family or enhance their social standing through donations (Elo, 2016). For example, financial remittances



contribute to poverty reduction and increase local investment (Faist, 2008). The transfers may also contribute to the macroeconomic strength of the country of origin by enhancing foreign exchange reserves and contributing to a positive balance of payments (Riddle et al., 2010). However, the need to send remittance home contributed to weak entrepreneurship development among the Mexican diasporans in the United States (Drori et al., 2009). Ambivalent reactions to the need for sending remittances to relatives were found among African diaspora entrepreneurs in the U.K. because of the belief that such money can be invested in business (Ojo et al., 2013). Motivation for sending remittances is sometimes limited to altruistic considerations (Nkongolo-Bakenda and Chrysostome 2013; Elo, 2016). Riddle et al. (2010) point out that, cultural, institutional, and economic differences between the country of origin and country of residence may also affect money transfers and other operational necessities critical to the transnational venture. For example, changing processes such as currency valuations, commerce regulations and travel rules.

### **3.5.2 Diaspora entrepreneurship and business linkages**

In addition to financial investments, diaspora entrepreneurship through the creation of businesses and jobs, and the stimulation of innovation and the establishment of social capital across borders, can be a factor of growth for countries of origin (Ojo et al., 2013). Diaspora entrepreneurs and investors are important sources of capital for

many developing countries of origin (Riddle and Brinkerhoff, 2011). The concept of diaspora direct investment (DDI) is used to describe the transnational networks of business operations that are brought to and started in the country of origin by diasporans (Ojo et al., 2013). Diasporans are able to make use of their knowledge of the country of origin market. Information possessed by diasporans could be a useful resource for identifying business opportunities both in the host country and the country of origin (Elo, 2016). For example, the Indian diasporans in the Silicon Valley exchanged information about business opportunities with people in India, served as advisors or helped arrange business contracts and invested their own money in start-ups or venture funds in India (Nanda and Khanna, 2010).

Elo (2016) distinguishes between opportunity and necessity diaspora entrepreneurs. Diaspora entrepreneurs who are opportunity driven typically have developed skills, career and livelihood alternatives. Necessity driven diaspora entrepreneurs tend to be driven by lack of employment or career alternatives in the country of residence and such diasporans tend to be less qualified (Elo, 2016). Diasporans in higher occupation groups tend to have extensive and diverse networks (Meyer, 2001) and can help to facilitate information and enforce contracts. They can also act as intermediaries that could match buyers with reliable suppliers in the country of origin or the host country (Rauch and Trindade, 2002). Diasporans could also help to alleviate international transactions barriers such as information costs and cultural

barriers (Boly et al., 2014). There are two basic mechanisms through which diasporans partake in transnational entrepreneurship by providing business linkages. First, diasporans tend to bring with them to the country of residence a preference for home-country products that can stimulate the country of origin's export to their country of residence. This would contribute to a direct increase in the host country's imports of these goods to the host country (Gould, 1994). For example, by purchasing ethnic products such as foodstuffs, clothing, films and music (Boly et al., 2014). Second, there may be increase in both export and import flows between the host and home countries because of a decrease in transactions costs associated with obtaining foreign market information and establishing trade relationships (Gould, 1994). The knowledge of the home market is a valuable resource possessed by diasporans which may be useful to drive investments to the country of origin. Also, diaspora entrepreneurs identify with the country of origin and possess transnational social ties (Riddle and Brinkerhoff, 2011). For example, a study by Tung and Chung (2010) found that members of the Chinese diaspora in Australia who were either business owners or key decision makers in businesses helped to facilitate trade between Australia and China. They facilitated higher resource commitment mode such as wholly-owned subsidiaries and joint ventures entering China because of their knowledge of the country of origin and their networks in the market.

Though some diasporans can provide linkages between the country of residence and the country of origin based on their knowledge of the culture, language and market in both the host country and homeland (Baltar and Icart, 2013). It is not in all cases that diasporans possess market knowledge about the country of origin market. Some transnational diaspora entrepreneurs struggle to find advisors and specialised intermediaries that can provide information about producers, consumers, and the business environment in the country of origin (Riddle et al., 2010). Diaspora entrepreneurs who have lived away from the country of origin for a while, may face steep learning curves in understanding how to successfully do business there (Riddle and Brinkerhoff, 2011). Such diasporans suffer from liability of foreignness which affect their choice and strategies (Terjesen and Elam, 2009; Harima et al., 2016). The liability of foreignness, or the constraint of unfamiliarity (Zaheer, 1995), is due to lack of foreign market knowledge, which could constrain and limit transnational entrepreneurial activities of diasporans. It can lead to disadvantages when a foreign business competes with businesses in the home country which are more familiar with the business environment. Also, in some instances, knowledge of the home market may not be enough reason for engaging in entrepreneurial activities in the country of origin. For example, diasporans may have knowledge of the home market but may be unwilling to invest in developing countries with weak institutions, uncertainty, economic and political instability and also in instances

where the diasporans lack of suitable ties (Elo, 2016; Harima et al., 2016). Some diasporans who were forced into exile for economic or other reasons may be apprehensive about engaging in entrepreneurial activities in the country of origin especially if militating conditions persists (Mohan and Zack-Williams, 2002).

### **3.5.3 Institutional entrepreneurship**

Institutional entrepreneurship 'represents the activities of actors who have an interest in encouraging particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones' (Bruton et al., 2010, p. 428). From policy perspective, institutional entrepreneurship is pursued by 'targeting highly skilled individuals who have lived in other countries (e.g. for doctoral studies in engineering or work at leading knowledge-driven multinational firms) to start new firms' (Terjesen and Elam, 2009). As such diasporans are perceived as change agents for institutional development and reforms in their countries of origin (Drori et al., 2009; Riddle and Brinkerhoff, 2011). They are perceived as market-relevant asset in their country of residence (Harima et al., 2016) who can also contribute to the host countries economy (Peroni et al., 2016). This role also links the financial investments and business activities of diasporans to wider issues such as export trade and economic development (Boly et al., 2014; Terjesen et al., 2010).

'Diasporans and institutions are often in mutual interaction' (Harima et al., 2016, p.395). Developing favourable environment is therefore a significant issue for policy-makers because of the wide discussions about how economic activities of diasporans influence the country of origin. Diaspora entrepreneurs and investors are important sources of capital for developing countries particularly in countries deemed unattractive by non-diaspora entrepreneurs and investors because of factors such as weak institutions and inadequate infrastructure and uncertain economic climates (Riddle and Brinkerhoff, 2011). The attractiveness of a country reflects its institutions. Institutions are a system of rules, beliefs and norms which generate social behaviour. It is through the lens of institutions that we see how things are done within social groupings such as villages or large social forms such as the nation-state. Even though not all institutions are conducive to socio-economic development or supportive of enabling investment climates (Riddle and Brinkerhoff, 2011), it is believed that because of institutional acculturation diasporans can be motivated to transform institutional arrangements in the country of origin. In terms of institutional entrepreneurship, transnational entrepreneurship literature seeks to understand the relationship between diasporans' perception, entrepreneurial action and institutional effects. It seeks to understand how diasporans can affect change across geographic borders and the process by which this might occur and/or what duration and ties in different context are necessary to

effect the change (Riddle and Brinkerhoff, 2011). This area of research explores the individual mindset and resources to identify whether some individuals are more adept than others in using their skills and resources for commercial advantages and how these could be transferred across institutional environments (Terjesen and Elam, 2009). These factors contribute to discussions about how diasporans activities influence policymaking in the country of origin (Harima et al., 2016).

Developing countries of origin have the expectation that the financial remittances of diasporans could be harnessed for poverty reduction and investment (Faist, 2008). Many countries are therefore 'seeking creative ways of promoting diaspora homeland entrepreneurship and investment' (Riddle and Brinkerhoff, 2011, p.671). Some governments of countries of origin have started programmes to attract investments by diasporans (Faist, 2008). Government of countries of origin, countries of residence and development agencies such as the World Bank and non-government organisations (NGOs) see diasporans as stakeholders in development. This transnational entrepreneurship role of diasporans is envisaged by the Nigerian government to improve the SME sector in Nigeria. This will be discussed further in the next chapter.

### **3.6 Theoretical perspectives of transnational entrepreneurial activities of diasporans**

#### **3.6.1 Social network theory**

A network, refers to 'a set of connected actors and their relationships. The actors could be either organizations or individuals, and the relationships that tie them together may take many forms, such as those between customers, suppliers, service providers, or government agencies; may include both economic and noneconomic relationships; and be of short- or long-term duration' (Mustafa and Chen, 2010, p.98). Social networks are based on the assumption that 'it is impossible to comprehensively examine economic exchange without investigating the social context in which it is embedded' (Vasilchenko and Morrish, 2011, p.90).

Networks are a key means of gaining access to resources (Mustafa and Chen, 2010). They are fundamental characteristics of transnationalism, and are the primary means of mobilising resources for transnational practices (Chen and Tan, 2009). The transnational entrepreneurship perspective views diaspora entrepreneurs as individuals who undertake cross-border activities by making use of their unique resources as well as the resources of their networks. For example, businesses benefit through sharing of resources such as information, capital, market knowledge, technology and emotional support (Fuller-Love and Thomas 2004; Fuller-Love, 2009; Chen and Tan, 2009).



Social networks can be formal or informal and have two components: firstly, there are personal networks, which are concrete contacts and bonds with specific individuals; secondly, there is the cultural component, which is represented by the wider structures within which actors are embedded. Values, attitudes and behaviours are therefore important factors when trying to understand network relationships (Björkman and Kock, 1995). 'A personal network is a network for any given individual. The individual is referred to as ego and all of the people mentioned by the individual are referred to as alters' (Carrasco et al., 2008, p.568). Informal social networks consist of personal ties such as ties to family, relatives, friends and acquaintances. These social networks constitute the personal networks of an entrepreneur.

The networks of a diasporan are the social relationships that provide the resources to support him or her (Greve and Salaff, 2003). That is, in addition to their own resources, diasporans can gain access to a variety of resources held by other actors (Hoang and Antoncic, 2003). New entrepreneurs are often dependent on their personal networks for resources such as information, financial support and other kinds of non-material support, to supplement their own business resources (Birley, 1985; Premaratne, 2001). Personal networks can also be developed within the community in the diaspora that operate as extensions of personal links into the

wider diaspora community, tribal, religious or various socio-cultural organisations (Fadahunsi et al., 2000).

A diaspora entrepreneur is linked to a collection of others who in some way, contribute to the entrepreneurial activities. According to Elo (2016) diasporans' entrepreneurial activities are influenced by their social context e.g. family ties and marriage. For example, family ties can influence the decision to become a diaspora entrepreneur because they can support the entrepreneur in the business planning and in the creation stage. They can be supportive in different dimensions such as emotional support, instrumental or practical support and information (Anderson et al., 2007; Davidson et al., 2010; Lancee and Hartung, 2012; Lancee, 2012). The family social capital plays a supportive role in diasporans business success (Harima et al., 2016). The existence of networks in the country of residence is also relevant to entrepreneurial activities of diasporans. These networks could have a positive impact on diasporans' business success (Kuznetsov, 2006).

Culturally, networks can help influence diaspora investors' decisions through two mechanisms: social obligation and information transfer through social ties (Shane and Cable, 2002). Family networks have been seen to help African entrepreneurs overcome barriers and inadequate formal support and to achieve their business objectives (Fafchamps, 2000). The obligation to family members based on the pressure for redistribution are strong and this links the diaspora to development

because of family members' expectations of diasporans to succeed and to send money and goods back to those left behind some of whom may have contributed financially to the diasporans' journey abroad (Mohan and Zack-Williams, 2002). Such social ties reduce opportunism in transaction by imposing social obligations and effective sanctions.

Information transfer through social ties also help to reduce information asymmetry, e.g. between a buyer and seller (Golubović, 2009). Resource capacity of diasporans and the extent to which network resources may help in taking entrepreneurial opportunities and effecting institutional change depend on:

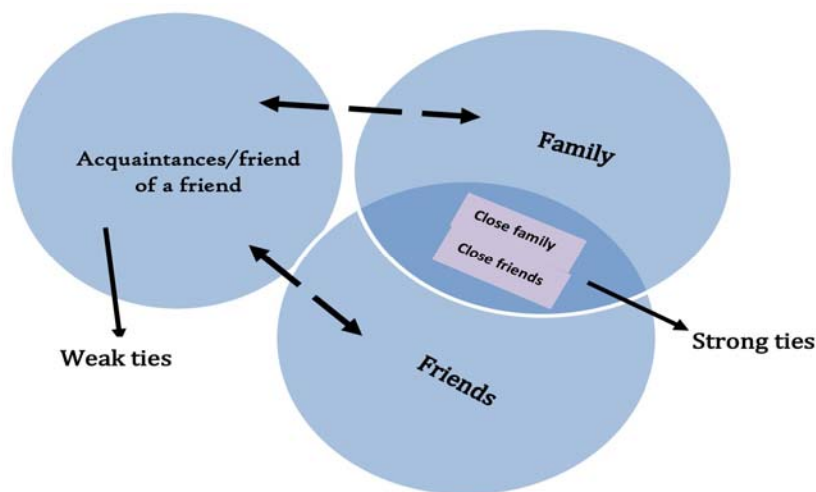
#### **I. Networks and tie strength**

A large network size is defined by the number of ties in the network which provide more possibilities for access to resources and information. It helps transnational entrepreneurs enhance resource gathering. A large network size also ensures wider access to both strong and weak ties and helps business activities by connecting people in diverse settings (Patel and Conklin, 2009). The strength of ties is a function of interaction frequency, duration or length of relationship, emotional intensity and reciprocity (Granovetter, 1973; Roberts and Dunbar, 2011; Chollet et al., 2014). Strong ties are characterised by frequent interactions, a long length of relationship (enduring relationships), and a close socio-emotional bond while weak ties are

characterised by infrequent interactions, a short duration of relationship (newer relationships), and a lack of a close socio-emotional bond (Sullivan and Ford, 2013).

As shown in Figure 3.1 depending on the strength of ties, both family or friends can be close ties. According to Lancee (2012) intra-ethnic and inter-ethnic friendships could also depict close ties and weaker ties respectively. Though both have been found to have positive impact on migrants' support in different contexts (Lancee and Hartung, 2012).

**Figure 3.1: Network strong and weak ties**



Within networks, strong ties such as those often found among family members, close friends and neighbours are referred to as close networks (Granovetter, 1973). People are more likely to provide support for or bear a genuine cost (e.g. physical pain) for kin than for friends and to provide support for kin who are more closely related than

less closely related (Roberts and Dunbar, 2011). Strong ties are useful because when the cost is high, people tend to forgo more profitable exchanges with unknown partners in favour of transacting with partners who are well known because such ties have demonstrated their trustworthiness in previous transactions (Cook and Rice, 2003). Anokhin and Schulze (2009) argue that such relationships can frustrate the development of arms-length trade and the co-ordination of activity needed to support complex economic activities such as entrepreneurship and innovation.

Weak ties are also referred to as a structural hole in a network (Burt 1992). Such relationships are defined by the condition of impersonality or anonymity (e.g. acquaintances and strangers) and can be accessed through bridges or connectors. They occur in open networks that facilitate better access to resources and opportunities because such networks are characterised by diverse ties. In open networks, weak ties give access to resources needed to address complex problems because they do not get redundant (Newman and Dale, 2007; Torche and Valenzuela, 2011).

Sometimes, people can be quite wrong in assessing the strength of their relationship with one another and the extent of resources they can mobilise through a tie. For example, when people ask for a favour from a close friend, they usually expect a higher level of commitment and amount of time compared to the actual efforts from such ties. Fliaster and Spiess (2007) argue that frequent contact does not always

mean close relationships or trust because even conflicting parties may often interact and communicate daily. Also, the closeness or emotional intensity between people can be rapidly changed by certain events. However, Roberts and Dunbar (2011) found out that friendships are costlier to maintain over time and more likely to decay than kin relations.

## **II. Reciprocity**

Reciprocity norm is based on the view that people usually return favours (Shumaker and Jackson, 1979). Benefits arising from reciprocity transactions are backed by the norm of reciprocity and consists of the accumulation of 'chits' based on previous good deeds to others (Portes and Sensenbrenner, 1993). Gift-giving is an example of an act that can indicate 'narrow' or 'clear-cut' reciprocity or implied reciprocity (Komter and Vollebergh, 1997). Strong ties relationships are usually of long duration and based on a principle of implied reciprocity. Giving and receiving of benefits among close friends and close kin tend to have communal norms where such actions are without obligation of reciprocation while acquaintances and strangers tend to have exchange norms with an obligation of reciprocity (Roberts and Dunbar, 2011). Narrow reciprocity is the situation where gift-giving is inspired by a feeling of indebtedness towards someone for a favour done by that person. It may also be inspired by sympathetic feelings or feelings of being involved in someone else's life; in this case, moral obligations play a role in the feelings about giving.

### **3.6.2 Homophily**

The homophily principle is a network principle useful for accessing how likely a set of relations carry poor or rich resources (Lin, 2001). Homophily is the tendency for individuals to interact with others who share personal characteristics, such as age, gender and ethnicity with them. As a result of homophily, there is the tendency for groups to form from similar actors and then become more similar with time (McPherson et al., 2001). People also tend to choose friends who are very much like them in areas such as occupation, education and income (McPherson et al., 2001; Ruef et al., 2003; Ruef, 2010). The concept of homophily limits the social world of people or their day-to-day real-life experiences such as their habits, values and lifestyles; it has powerful implications on the information people receive, their decision making, the attitudes they form and the interactions they experience (McPherson et al., 2001). Ethnicity is one of the most widely studied dimensions of homophily. Ethnic homogeneity in entrepreneurial activities is often found among minority and immigrant groups, e.g. those reacting to prejudice in a traditional employment context (McPherson et al., 2001; Ruef, 2010). Another example of the principle of homophily is shown in the geographic clustering of similar or connected firms near one another (Owen-Smith and Powell, 2008). Patterns of marriage between people with similar cultural, economic, occupational status and general (lifestyle) choices also indicate the principle of homophily (van der Gaag, 2005).

Distinctions can be drawn between two types of homophily, namely induced and choice homophily. Induced homophily refers to 'an in-group bias that is produced by the opportunity structure that an individual is exposed to, assuming that their choice of partners for some particular purpose is random' (Ruef, 2010, p.74). For example, induced homophily is reflected in the random distribution of entrepreneurs within a particular neighbourhood. Choice homophily is based on proactive or reactive human preferences. It holds that bias is generated 'by an individual's propensity to associate with others that are similar to one-self' (Ruef, 2010, p.74). This may make people predisposed to people they know well, because of greater levels of interpersonal attraction, trust and understanding that already exist between them (Grossman et al., 2007). Homophilous ties tend to foster solidarity among actors. According to Prashantham et al. (2015), solidarity arises from altruistic support and trust because of lower risks of misconduct between transacting partners. Such networks are influential in supporting new ventures in the host country and could potentially influence how ventures are established in the country of origin. People tend to show homophilous tendencies under conditions of uncertainty, such as when economic uncertainties exist. They also show such tendencies when resources are limited and where the future is unpredictable. In such situations 'it is likely that individuals will seek ways to assure that their own resources are used in contexts where they have some control and influence and



where they are likely to benefit in some way' (Trager, 1998, p.373). One way to ensure control is to deal with others on the basis of familiarity and trust. Trust helps to overcome uncertainty such as those which arise because of the opportunistic behaviour of contracting parties (Fafchamps and Minten, 2001).

According to the Homan's (1951) theory of human group, 'persons who feel sentiments of liking for one another will express those activities over and above the activities of the external system and these may further strengthen the sentiments of liking' (Homan, 1951, p.118). The external system describes the 'pattern of relationship' (activity, interaction and sentiments) arising in a group in the course of coping with its environment (French et al., 1964). Activities are what people do, activities trigger interaction and sentiments include motivation to participate in group enterprise (French et al., 1964). Lin (2001) emphasised the relationship between resources (activities), human interactions and sentiments (attitude). The 'sentiment-interaction-resources' hypothesis builds on Homan's (1951) theory. The hypothesis depicts a relationship among the three elements which is not necessarily one of cause-and effect. Firstly, the more individuals share sentiments, the more likely they are to interact and engage in activities. Secondly, it is expected that there will be a positive relationship between individuals with similar resources and the amount of their interaction. For example, networks facilitate access to instrumental resources such as information, capital, market, technology, and expressive resources

such as emotional support (Chen and Tan, 2009). Strong ties are useful for accessing and mobilising necessary resources for expressive actions but may not be sufficient for instrumental actions (Lin and Ensel, 1989). Thirdly, interactions which depict least-effort relationships tend to occur among actors at similar social positions, e.g. colleagues and friends. Least-effort interactions are less costly in terms of accessibility because they involve lower relational expense and interpersonal risks (Borgatti and Cross, 2003). They tend to occur among people who interact with one another more frequently and who have similar types and amounts of resources (Lin, 2001). Wang (2000) describes ties among family members, close friends as being expressive and relatively stable; and describes the relationship between people who interact on a short-term basis to attain specific goals as instrumental.

McPherson et al. (2001) argued that homophily principle is a matter of effort because it takes more energy to connect to those who are far away than those who are readily available. Even though new technologies like print, the telephone and the internet have lowered the effort involved in making geographical contact, these new modes have not eliminated the old pattern of connecting on the basis of closeness. Family relationships seem to be a special case of homophily. Prior research about transnational entrepreneurs found out that 'unlike most non-family relationships, these relationships did not need frequent contact in order to be maintained, and

family members felt a strong sense of belonging despite being separated by large geographic distances' (Mustafa and Chen, 2010, p.104).

According to Lin (1999) expressive actions are those in which resources are maintained or preserved in close networks, e.g. where a diasporan or close friends makes use of resources they currently possess. Close ties depict least effort principle and weak ties are costly because, 'distance increases the direct expenses associated with engaging in the frequent and extended interaction necessary for the maintenance of social relationships' (Sorenson, 2003, p.515). Instrumental actions are those in which the activities are searched for and obtained by bridging relationships in a network (Lin, 1999). In terms of the outcomes, homophilous or sentimental interactions could lead to benefits that have expressive returns such as those that enhance life satisfaction in various life domains such as family, marriage, work and community, and neighbourhood environments. On the contrary, reaching out of the immediate social circle to weak or heterophilous ties would require more effort by an actor. By doing so, the actor is more likely to encounter ties with more diverse characteristics that give access to better resources and could have instrumental returns (Lin, 2001). Various entrepreneurial activities are shaped by homophily and such activities help in reducing uncertainty, cost and help entrepreneurs have control over resources. These could occur in entrepreneurial activities such as:

## **I. Financing activities**

Homophily patterns in lending show that a smaller social distance between lenders and borrowers increases the likelihood of lending. Galak et al. (2011) discovered this based on a study of microfinance lenders. Lenders in the study displayed a preference for lending to borrowers who were similar to them, i.e. those with whom they shared observable personal or professional characteristics. Lenders often face the problems of information asymmetry associated with project uncertainty and the moral hazard involved with the protection of investment. Formal lenders such as banks tend to charge SMEs higher interest rates and fees as a precaution due to the difficulty in knowing whether SMEs will default (Beck and Demirguc-Kunt, 2006; Stein et al., 2013). Informal lenders such as business angels tend to be communally oriented: they understand and recognise the difficulties in business venturing (Au et al., 2014). They try to solve the problem by making investment decisions based on social relationships. Business angels are also inclined to invest only in entrepreneurs with whom they already know and trust (Venkataraman, 1997). They tend to fill the niche between friends and family financing and formal venture capital investors (Dutta and Folta, 2016). According to Clercq et al. (2012) individual or micro-angel investors tend to rely more heavily on social relationships when they make investments. Social relationships help to reduce agency risk e.g. that the entrepreneur's expertise and behaviour may not be in the best interest of the

investor. Strong relationships are valued because they can mitigate such agency risk by providing aspiring investors with preferential access to information about opportunities and entrepreneurs that is not readily available otherwise.

Unlike the individual angel investors, angel groups tend to pool their resources to facilitate investment at later stage of business venture development. They do not exhibit homophilous lending but tend to be selective in investing in businesses as well as in their evaluation of whether to make follow-on investments. Monitoring and control is usually flexible and they adopt an informal hands-on approach (Dutta and Folta, 2016). Erikson et al. (2003, p.170) identify family angels as 'those who make a majority of their investments in businesses in which they have family-related connections'. Based on the finding of the research, family angels tended to invest in fewer businesses. They showed preference for geographical nearness as they tended to invest more in national- and regional-oriented ventures. This could be attributed to family angels being more actively involved in the businesses they invest in: they sometimes allocated their own human and intellectual resources to add value to such businesses. This involvement helped in monitoring their investments effectively and to reduce likely problems associated with adverse selection and moral hazards.

In the context of microfinancing, Galak et al. (2011) explored the 'identified victim' phenomenon among lenders and found that lenders were affected by group size.

The 'identified victim' (Kogut and Ritov, 2005, p.158) phenomenon explains how people are more generous toward an identifiable or known victim than toward an unknown victim. That is 'people react differently toward identifiable victims than to statistical victims who have not yet been identified' (Small and Loewenstein, 2003, p.5). Likewise, the larger the group size of borrowers, the less willing lenders were to lend them money. The lack of willingness is attributed to lenders lacked distinct information about the large group of borrowers (Kogut and Ritov, 2005).

According to Small and Loewenstein (2003) the willingness to contribute to help a needy 'victim' shows an interaction effect such that the identified victim will receive higher contributions than the unidentified one. For example, entrepreneurial businesses which are experienced and visible may be viewed as a potential tie for investment (Hite and Hesterly, 2001). There are four possible explanations of the identified victim effects: firstly, when they are identifiable, victims draw more emotional response than do statistical victims, especially when details about the victims such as pictures, family information and so on are communicated. Secondly, when victims of misfortune are identifiable, they often draw extraordinary attention and resources. Thirdly, evaluation of an identified victim is made ex-post, while that of a statistical life is made ex-ante, e.g. in the former responsibility and blame could be more salient, and risk perception can depend on the saliency of blame while in the latter, attribution of blame is less clear because it is impossible for people to

predict and take on responsibility for all the tragedies that might occur. Fourthly, the reference group effect explains how people feel greater concern toward victims as the reference group of which the victims are part grows smaller. This explanation has the greatest empirical support (Small and Loewenstein, 2003).

In terms of gift-giving, Sargeant et al.'s (2005) study pointed out that gift donors' behaviour could be influenced by age, gender, religion or social class. The underlying motives included empathy, sympathy and emotions such as pity, fear and guilt. Furthermore, gift-giving may reinforce social relationships. Gift-giving can be defined as 'the circulation of goods to promote ties and bonding between individuals. This process happens over time and space and includes three different phases: giving, receiving and reciprocating' (Annamma, 2001, p.239). Gift-giving to extended kin is more obligatory and more enduring than giving to friends. The nearer the social relationship, the less a gift resembles an economic transaction and the purer the feelings accompanying the gifts. (Komter and Vollebergh, 1997).

## **II. Information-exchange activities**

Information seeking has been linked to the strength of a relationship. Social relationships are important for acquiring information (Granovetter 1973). Different kinds of relationship condition information flows. In such activities, 'the decision to seek information from a specific other is informed by characteristics of the relationship between the seeker and a set of other people he or she might turn to'

(Borgatti and Cross, 2003, p.434). While there are conflicting findings with regard to the importance of source quality and source accessibility in information-seekers' choices, cost factors are considered to be of much less importance when effort is minimised (Borgatti and Cross, 2003; Xu et al., 2006). Some prior research has shown that information sourced based on accessibility through least effort is mostly used during search efforts. For example, Liang and Parkhe (1997) point out that in international vendor search and selection, buyers are more likely to adopt the less demanding approach, taking short-cuts in their search and evaluation effort. This is attributed to the problems of carrying out systematic search on a global scale and the associated costs. In such situations, search efforts are more often likely to be based on known contacts than on objective information published by government agencies (Ellis, 2000). In terms of bilateral searches Gould (1994) point out that information search is likely to be based on least effort in developed countries because of easier access to reliable information; immigrant effect would therefore be less beneficial. In developing countries however, information cost is likely to be higher and more effort is likely to be expended in accessing objective and reliable information. In such instances, locally situated intermediaries (Ellis, 2011) could be used and immigrant effect could be beneficial (Gould, 1994).

Entrepreneurs' network ties can provide advice support. For example, an entrepreneur's advice network could provide information that helps to resolve



uncertainty, provide access to specialised knowledge on industry trends and financial decisions. Such networks could also help entrepreneurs to 'recognise opportunities for new products or services, new markets for existing products, changes and gaps in supply chains and distribution channels, new technology developments, the latest trends in consumer behaviour, and changes in laws and regulations' (Arregle et al., 2013, p.5). Seeking advice from trusted and close relationships helps to minimise business risk. The close interaction helps to reduce information asymmetries between the business and advisor and in ensuring that accurate assessments are made and that relevant and valuable advice is provided (Robson and Bennett, 2000; Perry et al., 2015). Family-based access to business advice provides sounding boards for new ideas as a result of greater trust. However, such advice networks dominated by relatives are likely to become less useful, inward-looking and become clan-like over time because of limited set of information that may not match future business needs, hindering venture growth (Arregle et al., 2013).

### **3.6.3 Institutional theory**

Transnational activities are carried out by diasporans across institutional and cultural context (Drori et al., 2009). Institutions can constrain or enable entrepreneurship (Welter and Smallbone, 2011). In carrying out entrepreneurial activities, diaspora entrepreneurs may be burdened with challenges which arise

from the differences in the country of origin and the country of residence institutions (Riddle et al., 2010; Elo, 2016).

**Table 3.4: Three pillars of institutions**

Theory element	Regulative	Normative	Cultural-cognitive
Basis of compliance	Expedience	Social obligation	Taken-for-grantedness/shared understanding
Basis of order	Regulative rules	Binding expectations	Constitutive schemas
Mechanism	Coercive	Normative	Mimetic
Logic	Instrumentality	Appropriateness	Orthodoxy
Indicators	Rules/laws/sanctions	Certification/accreditation	Common beliefs/shared logics of action
Basis of legitimacy	Fear/guilt	Shame/honour	Certainty/confusion
Affect	Legally sanctioned	Morally governed	Comprehensible/culturally support

Source: (Scott, 2014)

As shown in Table 3.4 institutions are “composed of cultural-cognitive, normative, and regulative elements that, together with associated activities and resources, provide stability and meaning to social life” (Scott, 2014, p.56). Formal institutions are the regulatory and governance structures which are directly designed and operated by the government. Informal institutions are the non-official or socially enforced mechanisms held by the normative and cognitive pillars. Both the formal institutional forces such as legal environment and rules, controls, sanctions as well as informal forces such as values, attitudes (including attitudes toward entrepreneurship), cultural norms, tradition and history have impact on the entrepreneurial process (Kenney and Patton, 2005; Welter and Smallbone, 2011).

An unstable or weak institutional environment and inefficiently operated regulatory environment would result in the failure of the formal institutions, which could hinder the development of productive entrepreneurship. For example, political and economic instability and uncertainty could influence the likelihood of diasporans engaging in transnational linkages between the host country and the country of origin (Baltar and Icart, 2013). Weak institutions may make business investments in the country of origin unprofitable due to increased transactions costs.

The dimensions on which the transaction costs associated with an activity would depend are: bounded rationality, asset specificity and uncertainty (Nooteboom, 1993; Fyall and Garrod, 2005). Rationality is bounded because not all possible outcomes are known due to the scarcity or cost of information, as well as the limited capacity for information processing on the part of diaspora entrepreneurs. Therefore, they may be unable to write contracts that would cover all contingencies (Powell, 1990). Asset specificity describes the extent to which a transaction needs to be supported by assets that cannot be easily transferred to another use. Diaspora entrepreneurs may be locked-in into such a situation and would be unable to aim for low cost strategy (Nooteboom, 1993). Uncertainty describes the challenge of identifying suppliers and buyers for products or services given a limited knowledge of the market (Fyall and Garrod, 2005). Uncertainty is likely to affect the choice and strategies of diasporans who suffer from liability of foreignness (Harima et al., 2016).

Access to resources through formal institutional channels may be based on personal contacts, giving some entrepreneurs with better connections access than those without (Lin, 2001). In such instances, informal institution channels, such as family and kin networks could help entrepreneurs overcome barriers of inadequate formal support (Pollak, 1985; Fafchamps, 2000). Family and kinship governance are examples of relationship-based transaction structure. Such structure operates through incentives, monitoring, altruism and loyalty advantages among family members. Historically, the family has been a traditional source of protection in the absence of formal support, not only in developing economies but also in advanced industrial societies. In such societies, some types of protection continue to be provided by the family (Pollak, 1985). Trade within some regions are known to be facilitated by trust based on affect, kinship, or ethnic identity. For example, in Kenya and Benin, traders have used ethnicity as a tool for obtaining trust, minimising transaction costs and as a tool to legitimise dominant market positions (Hayes and Robinson, 2012). Family governance can be explained by the concept of value introjection, which explains why family ties are often strong and leads to a significant sharing of norms, values, and beliefs among family members, thereby creating strong cognitive and emotional attachments (Arregle et al., 2013, p.4). Value introjection is guided by moral considerations or altruism and it is expressed by acting out collectively held values such as those formed from childhood

(socialisation). According to Pollak (1985) family incentive is because of claims people have on family resources which makes people consider the effects of their actions on family wealth. Therefore, economic action influenced by value introjection may influence both the character of personal goals and the means to attain those goals (Portes, 2010). Family members have direct and long-term interest in family wellbeing which goes beyond their own lifetime to dynastic considerations involving their children and grandchildren. Monitoring is easily facilitated between family members and this helps to integrate economic and personal relationships together. Altruism also provides a stable foundation for a wide range of activities because the love, affection and care for family members serves to reduce opportunistic behaviour (Pollak, 1985).

### **3.7 Linking the network and institutional theories to explain transnational entrepreneurial activities of diasporans**

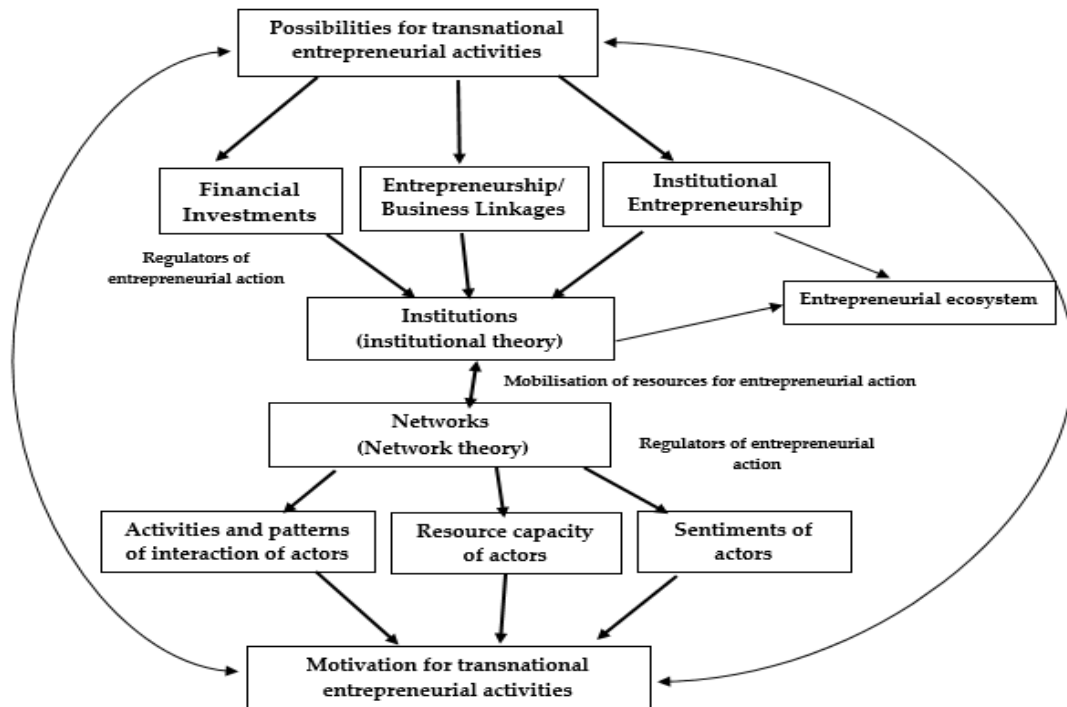
This section discusses the linkages between network and institutional theories to explain transnational entrepreneurial activities of diasporans. The relationships between the key concepts are presented in Figure 3.2 and are discussed in the subsequent sections.

### **3.7.1 Entrepreneurial activities influence national systems**

Hitherto, the National Systems of Innovation (NIS), a country level perspective of entrepreneurship, rejected the relevance of agency and treated entrepreneurship as solely a process which portrayed infrastructures, policies and institutions that determine a country's ability to benefit from entrepreneurial activities (Ács et al., 2014). Even though this perspective helped us in understanding a nation's entrepreneurial position, it did not explain how to improve its position (Ács et al., 2016). A system refers to a set of institutions or components whose interactions work together to determine the performance of firms. Since human action is fundamental to entrepreneurship, the individual perspective of entrepreneurship was a missing link in the NIS (Ács et al., 2016). This individual perspective describes institutional entrepreneurship which is defined as individual agency aiming at transforming existing institutions and creating new ones (Ács et al., 2014).

Individual actors or institutional entrepreneurs may trigger transformations and 'transform indigenous institutions so long as participating actors' capital investment generates expected returns e.g., social status [or profits]' (Lin, 2001, p.194). Unlike the NIS, the National System of Entrepreneurship or Entrepreneurial Ecosystem are 'fundamentally resource allocation systems driven by individual entrepreneurship choice variables and institutional settings, reflecting costs and benefits of actions on the individual level' (Ács et al., 2016, p.534).

**Figure 3.2: Linkages between network and institutional theories**



They reflect the notion that institutions and linkages influence the kinds of incentives that individual agents must pursue, as well as the economic and social opportunities accessible through entrepreneurial activity (Ács et al., 2014). Therefore, entrepreneurship is now explored based on the premise that it is fundamentally undertaken and driven by individuals. Consequently, individual-level action involves the mobilisation of resources to pursue opportunities through the creation of new firms. Entrepreneurial action therefore occurs within a complex economic, social and institutional context facilitated by complex interactions of attitudes, abilities and activities, operating at the level of the society or culture. It is

these interactions that drive economic productivity through the allocation of resources to efficient uses (Ács et al., 2014). Hence, the role of the entrepreneur's context is seen 'not only as regulators of opportunities and personal feasibility and desirability considerations for entrepreneurial action, but also, as the regulator of the outcomes of entrepreneurial action' (p.479).

Entrepreneurial ecosystem is thus concerned with resource mobilisation by entrepreneurs for entrepreneurial action. Likewise, motivations, perceptions, desires, cognition, and judgment are critical regulators of entrepreneurial action (Ács et al., 2014). This is because there is a 'relationship between diasporans' cognition, entrepreneurial action and institutional effects' (Riddle and Brinkerhoff, 2011, p.679). Entrepreneurial ecosystem of a country therefore describes both the resource allocation systems within an economy as well as the individual-level opportunity pursuit, through the creation of new ventures and exploring the interdependencies between individual and institutional variables. At the heart of an entrepreneurial ecosystem are informal and formal institutions as well as other conditions which enable or constrain human interaction such as accessible markets, human capital, funding, support systems, networks and cultural support. Without the interactions between these conditions, there cannot be successful entrepreneurship because entrepreneurs depend on them (Henrekson and Stenkula, 2010; Ács et al., 2014). The interactions and co-ordination between the ecosystem

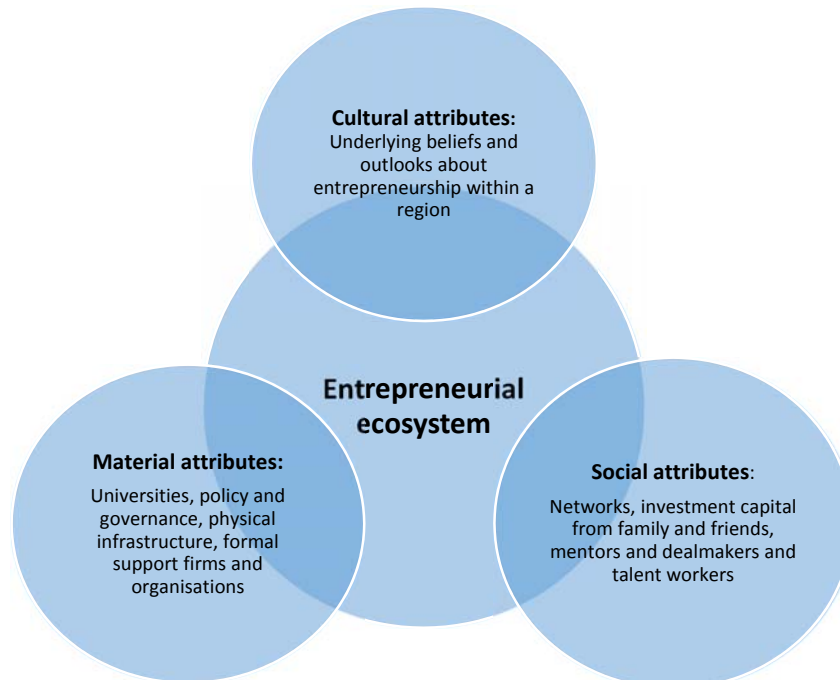


attributes predominantly contribute to the success of an ecosystem (Isenberg, 2010).

These attributes can be broadly classified into three and can help to create supportive environments for entrepreneurial activity. They are namely: the cultural, social and the material attributes (Spigel, 2015). These are shown in Figure 3.3.

The cultural attribute describes the informal institutional forces such as the values and norms that shape the mind-set of actors. It provides supportive culture and attitude towards entrepreneurship. Culture refers to, 'patterns of human activity and the capacity to classify experiences and to communicate them symbolically' (Hechavarria & Reynolds, 2009 p.424).

**Figure 3.3: Attributes of an entrepreneurial ecosystem**



Source: Adapted from Spigel (2015)

The social attributes are the sources of social capital to the entrepreneurship process and refers to the resources owned or acquired through the formal and informal social networks within a region. These attributes provide complementary resources and consist of networks of entrepreneurs, investment capital from family and friends, mentors, a skilled workforce and role models (Spigel, 2015). The presence of the social elements and the interaction between them creates the network of advice, mentoring and moral support which contributes to the success of the ecosystem (Cohen, 2006; Mars et al., 2012).

The material attribute refers to the tangible presence within the region. It describes the combination of formal institutional forces such as: formalised rules e.g. entrepreneurial policies and governance; well-regulated markets; and formal support organisations e.g. universities and higher education institutions that train entrepreneurs and generate knowledge spillovers (Spigel, 2015). Federal, regional and local governments can support entrepreneurial ecosystems through supportive policies that could encourage innovation. Tax rates incentives, subsidies and grants and the elimination of bureaucratic 'red tape' also support entrepreneurial ecosystem (Cohen, 2006).

Government policy has the power to influence entrepreneurial activities. Policy discussions are centred on 'the idea that governments seeking to stimulate their

economies should reduce constraints on entrepreneurship' (Minniti, 2008, p.780). These efforts help in creating an entrepreneurial country i.e. one where the regulations and broader institutional conditions are supportive of entrepreneurial actions, irrespective of the nature of activities (Ács et al., 2016). According to Minniti (2008) policies need to take account of local differences, nature of existing resources, networks, and market capabilities. The institutional environment determines entrepreneurial behaviour because the formal and informal rules of the game place constraint on human action, and, possibly, reduce uncertainty. Institutions (such as the policy environment) allocate entrepreneurial efforts toward entrepreneurial activities by influencing the motivations and opportunities offered by the economy to such activities (Minniti, 2008).

### **3.7.2 Networks and institutions facilitate or constrain entrepreneurial activities**

Entrepreneurial activity is an action in response to a judgemental decision under uncertainty about possible opportunity for profit. It is undertaken in uncertainty because the future is unknowable and the action takes place over time. Uncertainty increases in risky environments and affects entrepreneurial activities in two ways: 1) the amount of uncertainty perceived 2) willingness to bear uncertainty. Entrepreneurs (actors) differ from non-entrepreneurs in their willingness to bear uncertainty inherent in a possibly profitable action. Their willingness to bear

uncertainty are distinguishable owing to differences in motivation, attitude, or risk propensity (Mcmullen and Shepherd, 2006). The actions that entrepreneurs take is a manifestation of the assumptions they make about the nature of the context within which they are operating (Alvarez and Barney, 2007). If at the time of making the decision, the decision-making context is deemed risky because the decision maker can collect enough information about a decision to anticipate possible outcomes associated with that decision. In such an instance, the probability of each of those possible outcomes is known and decision makers make use of risk-based data collection and opportunity cost is important. However, the decision-making context is uncertain if at the time a decision is being made it is not possible to anticipate either the possible outcomes associated with a decision nor the probability of those outcomes. Under uncertainty, decision makers make use biases and heuristics and judgement based on affordable loss is important (Alvarez and Barney, 2007).

Networks (formal and informal) can help to reduce uncertainty. They shape institutions and the process through which the shaping takes place can be understood through organisations and individuals who strive to navigate multiple institutional contexts (Owen-Smith and Powell, 2008). Diaspora transnational entrepreneurship fits this notion because diasporans navigate between locales usually the countries of residence and origin (Drori et al., 2010). This suggests the ability of diasporans to affect change across geographic borders. However, the

extent to which this change might occur and/or what duration and ties in different context are necessary to effect the change are unknown (Riddle and Brinkerhoff, 2011). Attempts to understand diaspora transnational entrepreneurship through the network and institutional theoretical lens is therefore justified because networks are important contexts for understanding the institutional process. Practical actions across multiple context such as transnational entrepreneurial activities of diasporans demand the navigating of complex relationships. Resources for transnational entrepreneurial activities are accessed and mobilised through network relationships (Chen and Tan, 2009).

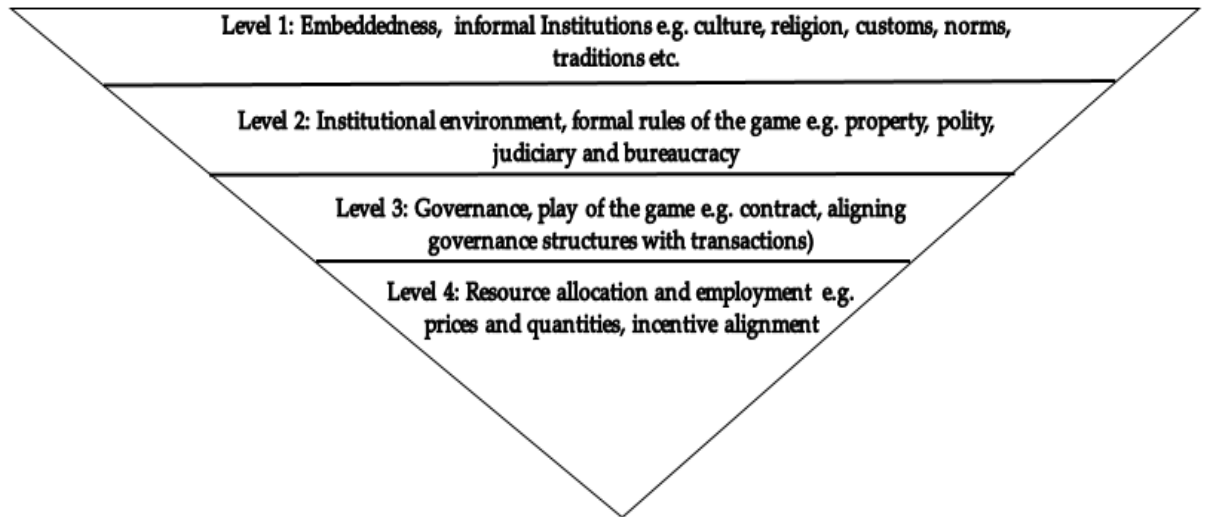
Institutional practices and forms emerge from networks through resources embedded in relationships. For example, the resources embedded in the diaspora are available from or through diasporans and their networks. Relationships that make economic exchange possible are the joint outcome of both networks and institutions because networks and institutions are mutually reinforcing contextual features of social systems (Owen-Smith and Powell, 2008). Relational embeddedness is an ongoing system of social relationships and a network characteristic which refers to the closeness or intensity and the frequency of social interaction between network members including reciprocity and trust (Granovetter, 1973).

Strong ties are less costly and are characterised by trust and reciprocal relationships developed over time from repeated interactions. Weak ties are costly to maintain but

enable acquisition of diverse knowledge (Granovetter, 1973). Entrepreneurial activities embedded in these relationships determine the extent of resource flows to entrepreneurs (Hoang and Antoncic, 2003). Lack of adequate resources (personal or accessed through others) and uncertainty 'prevents entrepreneurial action by complicating the need or possibility for action, the knowledge of what to do and whether the potential reward of action is worth the potential cost' (Minniti, 2008, p.139).

Embeddedness describes the nature, depth, and extent of individuals' ties with their environments (Arregle et al., 2013). It explains how resources take on values and how the valued resources are distributed in society (Lin, 2001). Network patterns which emerge reflect the ongoing interactions that establish expectations and obligations for exchanges (Arregle et al., 2013). Therefore, network theory links institutional theory at the level of embeddedness where informal relationships are reinforced by the environment in the form of informal institutions such as sanctions, taboos, culture, norms and traditions as shown in Level 1 (Figure 3.4). Such institutions have evolutionary origin and lasting grip on the way the society conducts itself (Williamson, 2000).

**Figure 3.4 Levels of institutional analysis**



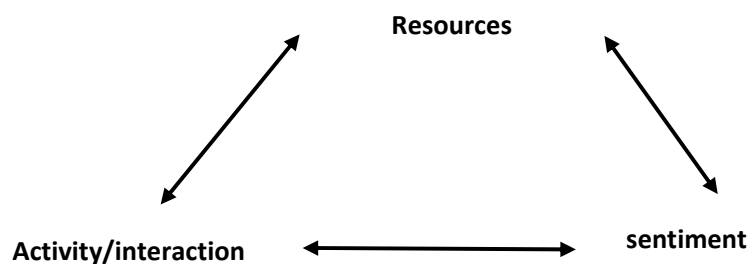
Embeddedness can both facilitate and constrain entrepreneurial action. Under-embeddedness refers to when an actor does not have or does not have enough strong ties. Over-embeddedness in social networks occurs when there is excessive reliance on strong ties such that the obligations and expectations which are built into these relationships constrain them from forming new relationships or taking advantage of potential opportunities (Arregle et al., 2013).

### **3.7.2 Assessing network resources**

On one hand, weakest ties are not useful because ties with no strength offer no incentive for exchanges. On the other hand, the resources from strong ties have

restricted range of resources. However, despite the restricted range of resources accessed, strong ties 'represent commitment, trust, and obligation and therefore the motivation to help. Willingness and effort to search for other ties using these strong ties may be critical under institutional uncertainties or constraints' (Lin, 2001, p.78). Therefore, a moderate level of embeddedness, which balances strong and weak ties, helps entrepreneurs to reduce uncertainty and increase opportunity for taking advantage of profit possibilities (Arregle et al., 2013).

**Figure 3.5 The homophily principle**



Source: Lin (2001)

The content of a network can be characterised by three components: actors, activities, and resources (Björkman and Kock, 1995). These components shape the extent of resources which can be accessed from a network (Lin, 2001). The homophily principle, a network principle, is useful for assessing these key areas because it assesses whether a set of relationships contains poor or rich resources (see Figure 3.5) by looking at three key elements, namely: 1) sentiment of the actors which



reflects their motivations 2) the nature of their resources and the resources they can access from others and 3) activities they are willing or capable of engaging in and the type of interactions through which resources can be accessed. By exploring the characteristics of diasporans - their resource capacity and interactions - motivations which propel actors to make choices can be understood (Lin, 2001). These factors are the regulators of entrepreneurial action (Ács et al., 2014) and these factors help to understand the relationship between entrepreneurial action and institutional effects and how entrepreneurial change might occur in the country of origin (Riddle and Brinkerhoff, 2011).

## **Conclusion**

The transnational entrepreneurial activities of diasporans depict business-related ventures that span both the country of origin and the country of residence. The phenomenon focusses on the individual diasporan and is explored within the transnational entrepreneurship perspective which straddles the international business and international entrepreneurship literature. Diaspora transnational entrepreneurial activities include diaspora investments, entrepreneurship and business linkages, and institutional entrepreneurial undertakings of diasporans. To describe the possibilities for diasporans' participation in transnational entrepreneurial activities, this research seeks to ascertain: the characteristics of

diasporans, nature of resources which can be accessed and how the resources can be mobilised through diasporans and their networks. It also seeks to ascertain the nature of activities they are willing to engage in and their willingness to make the resources available for these activities.

The chapter discussed the two theoretical explanations of the diaspora transnational entrepreneurial activities. Firstly, social network theory which explains how the personal networks of diasporans and the cultural components influence transnational entrepreneurial activities of diasporans. Secondly, the institutional theory explains how institutions enable or constrain entrepreneurial activities. The chapter also highlighted the link between network and institutional theories to explain transnational entrepreneurial activities of diasporans.

The next chapter presents the contextual background of this research. It sets the scene for understanding the risks and challenges of doing business in Nigeria. The chapter also explores the Nigerian entrepreneurial environment as well as institutional influences on entrepreneurship in Nigeria.

## **Chapter 4**

### **CONTEXTUAL BACKGROUND**

#### **4.1 Introduction**

Literature on diaspora transnational entrepreneurship seeks to understand diasporans' motivation for transnational activities in economies where the investment climates are poor and where the investment risks are high. This chapter presents the contextual background of the study. It draws attention to the challenges of the business environment in Nigeria and the institutional factors that shape the entrepreneurial activities. The discussion highlights the constraints of the SME sector in Nigeria. The aim of this chapter is to give a clear picture of the research context and set the scene for understanding the issues that pertain to the entrepreneurial environment which might influence diasporans' willingness to be involved in transnational entrepreneurial activities.

#### **4.2 The Nigerian entrepreneurial context**

The Nigerian context offers an opportunity to explore what the transnational entrepreneurial role of the diaspora should be considering socio-cultural and other institutional influences on the entrepreneurial environment. Context refers to, 'circumstances, conditions, situations, or environments that are external to the respective phenomenon and enable or constrain it' (Welter, 2010 p.167). It has the

‘where’, ‘when’ and ‘who’ dimensions. The ‘where’ dimension refers to various locations in which entrepreneurship happens e.g. countries, political systems, or society, as well as more proximate contexts. The ‘when’ dimension draws attention to temporal and historical contexts which has influence on the nature and extent of today’s entrepreneurship. Both dimensions have an impact on the ‘who’ which is not a context but which points to who enters entrepreneurship (e.g. entrepreneur) and which ventures are created (Welter, 2010).

#### **4.2.1 The Nigerian entrepreneurial environment**

Presently, Nigeria has a population of more than 170 million people and this makes up 18% of Africa’s population. There are 36 states in Nigeria along with the federal capital territory in Abuja. Lagos is the economic and financial hub of the country. The country’s political systems are shaped along ethnic and religious considerations. The three major religions are, Christianity, Islam and Traditional religion. The country is multi-ethnic with more than 250 ethnic groups. The most influential ethnic groups in relation to the total population are, the Hausa and Fulani (29%), Yoruba (21%), Igbo (18%) and Ijaw (10%). Until 2014, the country was the second largest economy after South Africa. However, after rebasing its GDP that year, Nigeria is now the largest economy in Africa with an estimated nominal GDP of \$510 billion. Despite being the largest economy however, it is the 12th in sub-Saharan Africa in terms of GDP per capital based of purchasing power parity (\$5601

in 2013). Nigeria is the world's 10th and Africa's 1st oil producer and it produces about 2.5 million barrels of oil a day (OECD, 2015b).

The present structure of Nigerian entrepreneurial environment is the result of policies and strategies adopted by various governments since the country's independence in 1960. Prior to its independence, Nigeria was a major player in the commodity export market as an exporter of agriculture products e.g. cocoa and groundnut. The nation's export capacity in agribusiness began to reduce as the oil sector began to boom (Okolie, 1995).

The aim of the National Development Plan of 1962 was to move the economy away from an agricultural export-based economy to one that refined more oil and manufactured more steel. Though well-intentioned, the plan increased government owned corporations and failed in promoting private ownership of businesses. This discouraged Nigerians and private foreign investors to invest in Nigerian enterprises (Limbs and Fort, 2000).

The post-independence oil boom resulted in steady decline of agricultural activities in Nigeria. Macro-economic policies e.g. exchange rate policy led to the overvaluation of the naira encouraging importation and discouraging domestic production for export. The government, 'maintained a high value for the Naira to cheapen imports which it considered necessary for development and embarked on various kinds of projects - roads, bridges, ports, schools, hospitals, sports stadia,

among others' (Okolie, 1995p.201). This led to a construction boom in the urban area that resulted in increased rural-urban migration, which depleted the agricultural labour force in rural areas.

From 1965, oil became the predominant foreign exchange earner for Nigeria (Okolie, 1995). By 1970, the foreign ownership of Nigerian enterprises was at 70%. The government created the Enterprise Promotions Act of 1972 to promote the placement of indigenous people in management positions. Although the government sought to increase the role Nigerians played in business, it also established incentives to increase investments by foreign investors alike (Limbs and Fort, 2000).

#### **I. From agriculture to oil exporting**

The Agricultural Credit Guarantee Scheme Fund (ACGSF) was established in 1977 and it took off in April 1978. The scheme is managed by the Central Bank of Nigeria (CBN); it is a government support to lending institutions to provide funding for small agriculture enterprises. The fund guarantees commercial bank lending to the enterprises up to 75% (Okoye, 1998; Evbuomwan et al., 2013). The initiative witnessed a number of challenges. For example, the farmers had to travel long distance from the rural areas to access banking institutions. The lending banks did not adequately monitor and supervise the lending and there was a high rate of default because the farmers regarded the credit as their own share of the national

wealth (Okoye, 1998). Agricultural exports began to fall and oil production rose around 1979. During the time, oil exports grew and accounted for over 90% of export earnings and 80% of government revenues. The revenue from oil peaked at N15, 234 million in 1980, twenty-four times its level in 1970 (Okolie, 1995). However, the period of the oil boom (1979-1980) and increase in oil revenues was short-lived. The country, 'embarked on a spate of reckless borrowings from the international and domestic capital markets' (Okolie, 1995, p.202). The government borrowing increased to sustain the level of expenditure. By 1981 and 1985, the economic situation was uncertain. There were sharp fluctuations in GDP growth (from -13% to 10%) during the period (OECD, 2015b). By 1986, the country reached debt rescheduling agreement with the International Monetary Fund (IMF) and the World Bank. The structural adjustment programme (SAP) was imposed as a condition of the agreement. Trade liberalisation was an important component of the SAP. The aim was to remove taxes on exports, restrictions on imports and the reduction of import tariffs. It also included, opening up the economy to competition and improve efficiency in the use of local resources (raw materials) to encourage local producers, particularly SMEs. Despite the trade liberalisation that accompanied the SAP from 1986 onward, SMEs continue to struggle to survive in the economic environment (Obokoh, 2008).

## **II. Support schemes for SMEs**

Gradually as the government investment in agriculture reduced, there was a growing need for public/private partnership in economic activity. The village adoption scheme – VAS (patterned after the India model) was initiated and managed under the ACGSF scheme by trained village facilitators. Self-organised small-scale rural farmers' cooperatives could borrow without tangible security but only based on the provision of reference from a prominent member of the community. The VAS was an example of institutionalised social mechanism that succeeded in lowering transaction costs. This was possible through the linkage between informal village cooperative societies and formal financial institutions (Okoye, 1998). The VAS is now defunct but the ACGSF is still in operation.

In January 1987, the National Directorate of Employment (NDE) was established. One of the four programmes of NDE was the small-scale and graduate employment programme established to promote self-employment. The programme provided guaranteed seed capital (loan) assistance and post loan support for small businesses by management consultants appointed by the NDE. The reasons for the programme becoming defunct is linked to the beneficiaries perceiving the loans as their share of the 'national-cake' and the lack of commitment and poor performance of the banks and management consultants could be linked to policy instability (Owualah, 1999). A microcredit scheme, the Family Economic Advancement Programme, was



established by Nigeria's Government in 1988. The scheme was set up in reaction to the increase in poverty levels linked to the implementation of the SAP. The goal of the scheme was to stimulate economic activities; and create avenues for Nigerians to improve their standard of living and to increase investment opportunities that will lead to economic growth. The People's Bank of Nigeria was also established in the same year to promote rural development and empowerment by responding to the credit needs of small borrowers and businesses. The bank could meet their financing requirement by providing small, quick and easy-to-obtain short-term loans (Halkias et al., 2011).

More recently, National development strategies such as, the Transformation Agenda (2011-15) and National Vision 20:2020 were implemented to make the country one of the world's top 20 economies by 2020. These strategies recognise the role of the private sector as the main engine for economic growth in Nigeria. The SME sector is one of the priority areas in achieving the goal of economic growth. The Federal Ministry of Trade and Investment attempts to enhance co-ordination among its support structures and to also ensure policy coherence to create a thriving environment for SMEs. As a result, several SME support programmes have also been initiated to support entrepreneurship and venture creation e.g. the National Enterprise Development Programme (NEDEP) and the annual business plan

competition for young entrepreneurs, the YouWin (Youth Enterprise with Innovation in Nigeria) (OECD, 2015b).

#### 4.2.2 Entrepreneurial activities in Nigeria

Policy initiatives and interventions in Nigeria are targeted at the Micro, Small and Medium Enterprises (MSME). The growth and development of the MSMEs are fundamental aspects of the country's economic policy (Iwuchukwu, 2014). The definition of MSMEs varies from country to country and according to factors such as the number of employee, the value of fixed assets, production capacity, basic characteristics of the inputs, level of technology used, capital employed, management characteristics. The Central Bank of Nigeria defines MSMEs according to asset base and number of staff employed (Eniola and Entebang, 2015). Table 4.1 shows the enterprise categories and the employment and asset requirements in Nigeria.

**Table 4.1: SMEs employment and asset requirements**

Category	Employment	Assets (=N= Million) excluding land and buildings
Micro Enterprises	Less than 10	Less than 5
Small Enterprises	10-49	5 to less than 50
Medium Enterprises	50-199	50 to less than 500

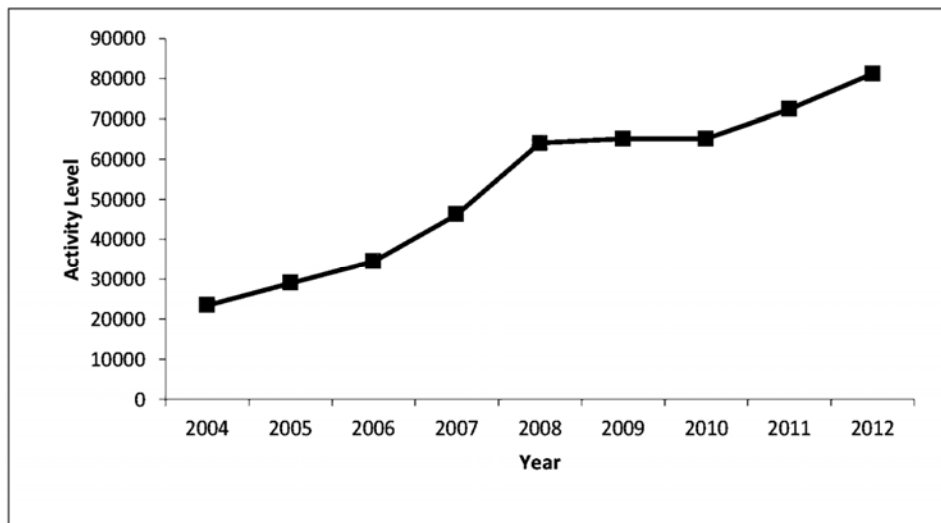
Source: Federal Republic of Nigeria (National Policy on MSMEs)

Every year, new entrepreneurial businesses emerge in Nigeria. The country ranks third highest in the sub-Saharan region and fifth in the GEM global rankings of population running established businesses. The high rate of entrepreneurial activities in Nigeria can be partly attributed to market opportunity recognition by entrepreneurs. This is because Nigeria has the second highest level of opportunity based entrepreneurs in the sub-Saharan region; indicating that some entrepreneurs in Nigeria believe that they have identified a market opportunity and plan to see their business grow in the future (Global Entrepreneurship Monitor, 2012).

The yearly increase in new entrepreneurial businesses in Nigeria between 2004 and 2012 is shown in Figure 4.1. The exact size of SMEs in Nigeria is unknown and the data presented is regardless of the size of firms. Also, it shows only limited liability firms i.e. those whose financial liability of the firm's members is limited to the value of their investment in the company; and in which the business is a separate legal entity that has its own privileges and liabilities. The increase shown does not include the informal sector, partnerships and sole proprietorships (Doing Business, 2013).

The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and National Bureau of Statistics (NBS) collaborative survey of 2013 gives estimates of the SME sector in Nigeria at 68,168 and 4,670 respectively while the micro sector has about 36,994,578 businesses.

**Figure 4.1: Entrepreneurial activity in Nigeria (2004- 2012)**



Source: Doing Business (2013)

In 2010, SMEs contributed to 46% of the Nigerian GDP (\$360.6 billion) and employed over 30 million individuals (Small and Medium Enterprises Development Agency of Nigeria, 2010; OECD, 2015b). The distribution of SMEs by economic sector shows that the major business areas are, education (34%), wholesale and retail (21%), manufacturing (19%) and the service sectors (18%) (Small and Medium Enterprises Development Agency of Nigeria, 2013).

#### **4.2.3 SME resource constraints**

This section explores the literature on SMEs constraints and discusses the issues surrounding the six constraints identified in the SMEDAN survey namely: access to finance, weak infrastructure, inconsistency of government policies, access to market, multiple-taxation and obsolete technology. The resource constraints of SMEs could

manifest in four types of liabilities, which impose limitations on SMEs in both the domestic and international markets. SMEs are subject to liabilities of smallness and newness, which are size- and age-based resource constraints. Liabilities of foreignness and outsidership, meanwhile, are location- and experience-based constraints (Lu and Beamish, 2006; Johanson and Vahlne, 2009). SMEs 'have more constraints in resources and capabilities as compared to large firms. As a result, they are subject to [the] liability of smallness which is reflected in their difficulties in obtaining and securing critical resources' (Beamish, 2008 p.122). Access to resources such 'information and knowledge is a sine qua non for entrepreneurial success, not only for large-scale companies but also for SMEs' (Nijkamp, 2003, p.402). Compared to the larger businesses, SMEs tend to be more resource-constrained (Aldrich and Auster, 1986): they tend to have less access to financial, human capital and other resources (Terjesen et al., 2010; Hessels and Terjesen, 2010). Such difficulties reflect the vulnerability of SMEs to business environment challenges and impose restrictions on the capacity of SMEs to expand either in domestic or international markets (Zacharakis, 1997; Lu and Beamish, 2006). The liability of newness or age constraint 'is a means of describing threats to the viability of new ventures' (Lasrado et al., 2016, p.206). SMEs need to overcome the liability of newness, which could constrain growth and the ability to gain credibility both domestically or internationally. Apart from financing and staffing challenges, newly established

businesses may also face challenges such as securing relationships with suppliers and buyers, attracting customers and ultimately establishing their legitimacy (Schweizer, 2013). Gaining legitimacy is difficult for such SMEs because they tend to have lower profiles than large businesses, which makes reputation-building difficult (Chollet et al., 2014). Nascent entrepreneurs, in particular, need to gain credibility given that their lack of personal assets, collateral or history of exchange makes them be viewed as illegitimate exchange partners (Newbert and Tornikoski, 2012). The liability of foreignness relates particularly to the internationalisation of SMEs: successful international market development is an important growth strategy among SMEs pursuing niche strategies in a limited domestic market. The opening of new markets and the increase in demands could cause growth in sales and profit (Coviello and Munro, 1995). Liability of foreignness describes SME's 'disadvantage relative to local firms when operating in foreign markets as compared to larger firms' (Terjesen et al., 2010, p.440). This liability is a result of SME entrepreneurs' lack of knowledge about language, laws and rules of a foreign market, which increases distance between markets (Johanson and Vahlne, 2009). The liability of outsidership describes SMEs' lack of network membership in foreign-market business networks. To overcome lack of foreign market knowledge, SMEs may need to develop and sustain business relationships in institutionally different environments (Hilmerston and Jansson, 2012). In 2013, the SMEDAN conducted a

national survey that identified six major constraints faced by Nigerian SMEs. The NEDEP programme was also initiated in response to the findings.

### **I. Access to finance**

Out of every 100 Nigerian adults, 35 are engaged in some sort of entrepreneurial activities (Global Entrepreneurship Monitor, 2012). The majority of adult Nigerians access more loans from informal sources such as family and friends, than they do from formal financial institutions (Akin-Fadeyi, 2015). Financial inclusion is achieved when adults have easy access to a broad range of financial products which are designed according to their needs and provided at affordable cost (Oseni and Oseni, 2015). However, there is a high percentage of unbanked population in Nigeria. The unbanked population comprises of people who do not have an account with any of the licensed banks in Nigeria. The unbanked population include artisans, petty trader, farmers, small scale entrepreneurs (Nwachukwu and Uchenna, 2016). Ruziev and Midmore (2015) highlight the difference between the use of formal credit and access to formal credit. Access is broader and refers to availability of formal finance at reasonable quantity and at reasonable costs and 'it covers both existing users of formal credit as well as those who voluntarily exclude themselves for a variety of reasons including assumed rejection, self-sufficiency of internal funds, and possibly even lack of awareness' (p.593). This suggests that there could be people within the banked population, who are not users of formal credit.

The Enhancing Financial Innovation and Access (2014) survey showed that out of the 93.5 million adult population in Nigeria, 36.9 million are financially excluded (no access through formal or informal finance providers) and rely on loan/gift from friends or family, loan from employers as well as remittances via a friend/family member. Also, 11.2 million are unbanked i.e. they do not have any bank or other formal products; but have access to or use only informal services and products. Out of the adult population, 11.5 million rely on other formal institutions and financial products not supplied by commercial banks such as insurance companies, microfinance banks, pension schemes or shares.

There are fewer banks in the rural areas which could be because of remoteness of some areas; roads in the rural area are often inaccessible. Some people in the rural areas are unbanked because of their lack of adequate education; they consider the banking transactions too complex. In urban areas, some of the unbanked population are deterred by waiting times in banks and prefer traditional means of savings because of the ease of using such means. For example, when using the services of a thrift collector, customers do not need to travel because money gets picked up directly from their shops (Nwachukwu and Uchenna, 2016). Sources of financing for SMEs are shown in Table 4.2. In debt financing, an investor provide capital in form of loans for the SME to run the business in return for interest payment for the use of the capital borrowed from the investors.



**Table 4.2: Sources of financing for SMEs**

Types of financing	Sources of finance
Debt financing:	Formal sources: institutional sources e.g. commercial banks, merchant banks, development banks and thrift and credit cooperative societies, microfinance institutions. Informal sources: family, friends, trade credit.
Equity financing:	Internal sources e.g. owner's capital, retained earnings. External sources: family, friends, venture capitalists, business angels.

Adapted from: (Isern et al., 2009; Eniola and Entenbang, 2015)

A practice common among SMEs in Nigeria is the financing of start-ups from retained earnings and from funds from informal sources provided either as a gift of money or loans from friends and family personal savings, family resources and retained earnings for working capital. The informal 'merry-go-round' saving schemes, referred to as 'Esusu' are also common sources of funds for SMEs. These traditional, microfinance schemes require that each member make regular contributions e.g. monthly and the members take turns to collect the total monthly contributions of the group. Some SMEs rely on other semi-formal sources, such as Thrift and Credit Cooperative Societies (MSME Demand Mapping Survey, 2005; KPMG, 2014).

Equity financing is a source of finance by private or institutional investors e.g. venture capitalists. Investment in a business is made in exchange for equity or a proportional portion of the business value (Isern et al., 2009; Eniola and Entebang, 2015). This source of finance is not a popular option among SMEs in Nigeria. Even

though it is easier to secure equity funding through informal or semi-formal channels, these means of financing requires that a business gives up some of its equity which some SMEs do not find suitable (Okpara, 2011; Berg and Fuchs, 2013). A study by Evbuomwan et al. (2012) showed that the disbursement of funds under the small and medium equity investment scheme (SMEEIS) is skewed geographically. The SMEEIS is a voluntary initiative of the Bankers' Committee to provide equity investment to eligible legal enterprises. The study found out that, the reason for geographical bias is that banks are required to appoint their staff as directors on the board of the companies they finance. It is therefore cheaper and more convenient for the banks access those SMEs in big cities where bank headquarters reside. This places SMEs in rural areas at a disadvantage (Eniola and Entebang, 2015). The convenience of banking varies from state to state. For example, in the Northern Kebbi State, the average distance to bank branch is about 60 kilometres compared to less than 1 kilometre in Lagos State (Akin-Fadeyi, 2015). SMEs also failed to access funding through this scheme because of uncoordinated business plans and poorly packaged projects/proposals (Oyefuga et al., 2008).

A survey of SMEs in the manufacturing sector found out that apart from personal savings and retained earnings, the business owners preferred debt financing rather than equity financing (Abereiyo and Fayomi, 2007). The preference for debt financing is the unwillingness to dilute the ownership and control of the assets and operations.

The preference for debt financing, increases the demand for access to commercial banks for funding through overdraft facilities and debt financing. Though SMEs could find it easier to access loans through micro-finance institutions however, the loans provided are usually small, with short repayment periods and high interest rates (Okpara and Wynn, 2007).

The commercial banks, merchant banks and development banks could provide formal sources of finance to SMEs. However, there are various reasons for the inability of SMEs to access finance from such formal sources. For example, some SMEs especially the uneducated entrepreneurs, lack of access to formal capital due to the perceived complexities of obtaining loans from financial institutions (Okpara, 2011). Some believe that you need to be connected to be able to access loans from banks. For example, an entrepreneur points out that he does not bother to, 'apply for a loan from any bank or government institution, reasoning that since he lacked any connections with any high-placed officials, he would be wasting his time in doing so' (Mambula, 2004 p.94). Rather, the main source of initial capital for his business was from personal savings. To help with cash flow, he depended on profits reinvested into the business or require that customers make part payments in advance of carrying out work for them.

Unlike short-term finance which is typically paid back within 12 months and which could be used by SMEs for continuing business operations (working capital), long-

term financing is required for acquiring assets and projects (Eniola and Entebang, 2015). SMEs need financing for fixed assets such as land, buildings, machinery and equipment and other movable assets. Extra outlays are required to compensate for deficiencies in the supply of basic utilities in Nigeria e.g. electricity, which places heavier financial burden on SMEs (Evbuomwan et al., 2012). Eniola and Entebang (2015) asserted that SMEs lack long-term and in some cases short-term finance because of the inability to access formal credit facilities due to factors such as: the lack of assets that could be utilised to guarantee the loan, the tendency of commercial banks to lend to the government and larger enterprises rather than small businesses. Banks tend to do this is because of the high interest rates on government securities. A sizable proportion of the balance sheets of some commercial banks in Nigeria are held in government securities. This leads to a relatively low competition among banks to provide funds for SMEs (Berg and Fuchs, 2013). Similar tendencies were found in Uzbekistan, where the main customer base of commercial banks included large corporations and government agencies. Also, the SMEs with interpersonal connections to government officials were more likely to obtain formal bank credit than those without them (Ruziev and Midmore, 2014).

Rather than fund SMEs, some commercial banks in Nigeria focus their lending on the oil, gas and telecommunications sectors and the associated value chains. As a result, only SMEs directly related (as suppliers or distributors) to their blue-chip

larger enterprise clients in these sectors receive bank funding (Berg and Fuchs, 2013). Nevertheless, not all entrepreneurs with such characteristics receive bank funding. For example, an entrepreneur in Lagos, who has high demand for her products, and substantial growth potential, was unable to access funds for expanding her business. Even though she owns a successful furniture company and has clients such as Shell, Texaco, and the Abuja Hilton and generates jobs in the local economy; she was only able to obtain a US\$800,000 five-year loan through a World Bank initiative (Halkias et al., 2011).

Despite the fact there is an increase in the amount of credit to the commercial banks, loans to the SMEs sector is still weak. In 2013, commercial banks total credit was N11.5 trillion while commercial banks loans made to small scale enterprises was N15.3 billion. The commercial bank loans to SMEs as a percentage of total credit decreased from 13.26% in 1999 to 0.1% in 2013 (Eniola and Entebang, 2015). Commercial banks are risk-averse regarding SME lending because they have to contend with the situation where creditors may fail to repay. Banks therefore, tend to charge SMEs higher interest rates and fees because of the difficulty in knowing whether they are likely to default i.e. information asymmetry problems (Beck et al., 2005).

The government and donors continue to intervene directly in the market to increase the volume of credit flowing to SMEs. For example, Akin-Fadeyi (2015) highlights

credit enhancement schemes that are focused on reducing the risks of lending to low-income people and growing enterprises such as the Small and Medium Enterprises Credit Guarantee Scheme (SMECGS) and the Micro, Small and Medium Enterprise Development Fund (MSMSDF). The SMECGS was established for promoting access to credit by SMEs in Nigeria and is wholly financed by the Central Bank of Nigeria (CBN). However, such interventions do not seem to ease the financial constraints of SMEs. The Nigerian government support interventions are barely adequate because, 'it is often diverted away from its intended recipients by unscrupulous government officials who divert the money to other programs that profit them personally' (Okpara, 2011 p.166). The author also points out that, majority of the SMEs respondents reported that the process of obtaining financial support through government intervention schemes is difficult and discouraging because it sometimes takes bribery and political connections to access such support. Therefore, some SME schemes are underutilised, for example, the N200 billion SMECGS is underutilised because commercial banks are required to lend at prime rate which is unlikely to cover all costs. The scheme also does not provide full coverage but requires that all loans are collateralised. Loan recovery efforts by banks are exhausting and is a disincentive for them to utilise the scheme (Berg and Fuchs, 2013) because the legal and regulatory framework is unable to protect creditors (banks) against loan default from SMEs (Obokoh, 2008).

Crowdfunding is an alternative method used for raising finance which requires collecting small amounts of money from a large number of people without geographical barriers. This means of funding is still developing in Nigeria however, there are presently, no laws that guide crowdfunding in the country (Eniola and Entebang, 2015).

## **II. Poor infrastructure**

The government has the responsibility for building roads, installing water resources, provision of electricity and installation and maintenance of telecommunication infrastructure and not the role of individual manufacturers. However, in many parts of the country entrepreneurs such as those in southeast Nigeria, have to provide some or all of these amenities themselves to enable their firms to survive. Poor infrastructure such as bad roads and erratic electricity supply restrict SMEs growth in Nigeria (Agboli and Ukaegbu, 2006). In spite of Nigeria's vast oil reserves, electricity supply is erratic in the country. According to Moyo (2012), Nigeria has approximately 5900MW of installed generating capacity, but is only able to generate about 1600MW because most power infrastructure facilities are poorly maintained. Power generation is below capacity because the Kainji, Jebba and Shiroro hydropower plants are long overdue for rehabilitation. Also, seasonal droughts because of climate change affect electricity generation from the large hydropower plants (Emodi and Yusuf, 2015).

The lack of adequate access to an uninterrupted supply of electricity causes many manufacturing SMEs to rely on self-supply of electricity e.g. personal generators, voltage stabilizers and motors to keep their machines running. Manufacturing firms are highly dependent on infrastructure such as electricity and transportation. Therefore, the challenge of erratic electricity and poor transport infrastructure is more significant in the manufacturing sector. These challenges make manufacturing firms vulnerable because they are more prone to productivity losses. It can also lead to death of businesses. This partly explains why the sector tends to perform less than the services sector in terms of contribution to GDP (Egbetokun, 2015a). For example, erratic supply of power played an important part in the collapse of manufacturing in Kano a town which was once a hopeful location for the industrial development of Nigeria (Agboli and Ukaegbu, 2006).

Also, bad roads can harm entrepreneurial innovativeness, competitiveness and aggressiveness by limiting the ability of business associates, suppliers and workers to reach the locations of enterprises (Agboli and Ukaegbu, 2006). There is an urgent need to address the challenge of infrastructural constraints because infrastructure is important for rapid industrialisation (Adeyeye et al., 2013). The effects of poor infrastructure are more evident in the manufacturing sector than in the services sector. The prohibitively high cost of self-supply of electricity raises the cost of production significantly. This has negative impact on manufacturing and places the



domestic firms at significant cost disadvantage relative to their foreign competitors and contributes to the non-competitiveness of Nigeria's export goods (Moyo, 2012).

### **III. Inconsistency of government policies**

Government intervention in the market helps the disadvantaged and helps to keep inequality within bounds. It also helps to provide public goods and to create corrective measures to overcome problems in the market e.g. those caused by information asymmetries (World Bank, 2014). Even though various policies have been targeted at SMEs over the years, the constraints to SMEs growth in Nigeria have persisted. Agboli and Ukaegbu (2006) point out that the federal and state governments are quick to admit the inadequacy of infrastructure such as road networks, power and water. Despite the acknowledgement of these challenges however, when some political regimes left, they left the infrastructural environment worse than it was when they came to power.

The perception among some small businesses is that the government is not sincere about developing the SME sector. In a survey, less than 35% agree that recent government policies and laws affecting SMEs are sufficient and favourable for development (KPMG, 2014). SMEs think there is no lasting support for them by government authorities and that policy measures geared towards SMEs in Nigeria needs to be standardised and more efficient (Ocheni and Gemade, 2015).

Manufacturing SMEs have not felt the effect of all the laudable policies provided by the Nigerian government because of improper planning. Improper planning negatively influences the design and implementation of SME development programmes and also leads to the absence of favourable investment climate necessary for these policies to be effective. Ineffective policies therefore, leads to most SMEs in Nigeria remaining small, moribund or shut down within few years of operation (Obokoh, 2008).

For the exporting SMEs, policy inconsistencies are drawbacks of significant concern (Adenugba and Dipo, 2013). Even though there have been several interventionist policies in the country, the government has repeatedly failed to establish an environment that would allow either domestic industry or export-oriented firms to grow and thrive (Ocheni and Gemade, 2015). The authors also opined that policies should be designed in such a way that they directly affect exporting SMEs and also indirectly push for their growth. For example, as it is practiced in China, where tax policy has been designed to encourage SME financing by granting tax exemptions and reductions. According to World Bank (2014) the critical responsibility of governments is to provide a regulatory environment where ordinary people are able to put their skills and talents to the best possible use and facilitate the smooth and efficient functioning of businesses and markets.

#### **IV. Access to market**

High transportation costs, distance and cultural barriers constrain local market access. For example, in both northern and southern markets of the agricultural sector, a small number of large wholesalers control the market and sell to large numbers of small retailers and manufacturers. While wholesalers and manufacturers in the north are able to buy directly from farmers and rural assemblers; those in the south cannot access farmers directly due to distance and cultural barriers (Robinson et al., 2014). In the manufacturing sector, an entrepreneur from Maiduguri points out that, in order to collect imported inputs, from Lagos, he travels about two thousand-kilometre round-trip by road (Mambula, 2004). Access to local market is also constraining because of the presence of punitive measure on traders across local and state boundaries in the form of mobile fees and levies. These levies prevent the development of cross-state value-chains and causes the isolation on small traders and businesses in remote regions (mostly rural). This is a likely to contribute to the absence of vertically specialized production sharing within Nigeria (Pitigala and Hoppe, 2011).

In terms of international market access, SMEs constraints can be linked to the general low level of cross-border export of Nigerian SMEs. Nigerian SMEs are unable to devote significant amount of resources to information gathering activities (Okpara, 2011). Whereas, in order to be successful in export markets, firms need to actively

search for new opportunities in overseas markets. However, majority of SMEs in Nigeria focus on domestic market activities rather than export because they lack knowledge about international markets and expertise in exports (Okpara, 2009). Initial export venturing is therefore a daunting task for small, resource deficient firms who operate in challenging domestic environment fraught with uncertainties (Markham, 2004).

SMEs are also hindered by lack of adequate export start-up support and facilitating services. For example, complicated and tedious export documentation and procedures discourage SME export growth (Adenugba and Dipo, 2013). Insufficient availability and accessibility to information on issues to be addressed in setting up and operating an export business are also contributing factors (Markham, 2004). A study by Okpara and Kabongo (2009) found out that some non-exporting entrepreneurs in Nigeria view export markets as a risky business because they lack knowledge and expertise about export markets. Findings of another cross-sectional survey of exporting SMEs in the Nigerian leather industry suggested that the SME performance is hindered by lack of intangible resources e.g. knowledge, image and marketing resources (Junaidu, 2012). High import taxation reduces the export base because it discourages investment in export activities (Pitigala and Hoppe, 2011).

Another reason for the access to market constraints is the informal nature of many businesses in the SME sector. For example, Egbetokun (2015b) pointed out that, in

both the services and manufacturing sectors, the formally registered businesses consist of a few very large firms and a large number of SMEs. However, more SMEs in the manufacturing sector are more likely to be formally registered than in the services sector. This is because the manufacturing sector appears to be more organised with self-organised associations such as the Manufacturers Association of Nigeria (MAN) and several sectoral associations including an export group of firms that sell their products outside Nigeria.

Such self-organisation is less common in the service sector even though the sector makes the highest contribution to the national economy. Some SMEs in Nigeria make use of extensive informal, demand-driven networks for exporting their product across border. For example, Meagher (2007) studied three small firm clusters in Nigeria namely; Ilorin weaving cluster, the Aba shoe cluster and the Aba garment cluster. The Ilorin weaving cluster for instance has the highest portion of members without formal education but had the largest portion of firms with distribution networks extending as far as Europe and North America. These clusters relied on supply and distribution networks that extends to other African countries, China, U.S. and the U.K. The networks are attributed to the cultural nature of the product and the demand generated by the growing Nigerian diaspora largely in the U.K. and U.S.

## **V. Multiple-taxation**

Tax administration in Nigeria is imposed through the Acts of the National Assembly. Nigeria runs a tripartite tax administration system. Tax assessment and collection is carried out through the revenue collection agencies of the State Board of Internal Revenue (SBIR) and the Federal Inland Revenue Service (FIRS). The federal government receives the largest share of tax revenue (about 87 percent of the total tax burden). The revenue collected at the state, local and other Ministry, Departments and Agencies (MDA) levels are in the form of numerous smaller taxes representing a relatively small share of tax revenue. The tax compliance requirements, cost of compliance and tax rate by SMEs are similar to those of large enterprises and this ultimately reduces their profit margin (Atawodi and Ojeka, 2012). Small businesses in the services sector pay fewer import taxes because there is limited importation of goods in the sector compared to manufacturing enterprises which paid tax at around 43 percent (Pitigala and Hoppe, 2011; Atawodi and Ojeka, 2012). Multiple-taxation is one of the major constraint to doing business in Nigeria. Often, the same asset or event is taxed multiple times by different authorities and there is also the multiplicity of small-nuisance taxes (Pitigala and Hoppe, 2011). The burden of multiple-taxation also varies strongly by State. For example, firms in Ogun and Lagos States in western Nigeria, paid around 17 and 23 percent tax rate

respectively, compared to Enugu State in the east where tax rate is as high as 51 percent of pre-tax profit (Pitigala and Hoppe, 2011).

The multiple-taxation constraint is also linked the choice of some SMEs, to remain in the informal sector. Egbetokun (2015a) points out that the informal component of private sector in Nigeria is predominantly made up of small businesses both the micro businesses and the SMEs. A contributing factor to this is the long and expensive business registration process in Nigeria, which is also linked to the institutional corruption in the country. Therefore, some SMEs prefer to remain in the informal sector to avoid the burden of formalisation and also partly in order to avoid responsibilities such as taxation and regulation that come with being in the formal sector.

## **VI. Obsolete technology**

ICT broadly refers to software and hardware as well as telecommunication and information management techniques used to create, produce, analyse, process, package, distribute, store and interpret information (Afolayan et al., 2015). Innovation is mostly in small increments because the business environment is a major obstacle to innovation and firm performance in Nigeria. SME firms hardly perform basic R&D into new products and processes (Egbetokun, 2015b). The SMEs in Nigeria are constrained by obsolete technology because information and communications technology (ICT) that could fast-track innovation is not readily

available in some places or too expensive for SMEs (Adeyeye et al., 2013). Though basic ICT adoption is widespread in Nigeria. However, only a limited number of SMEs make use of sophisticated communication technologies. The SMEs that have successfully adopted ICT mainly utilise traditional-based technologies such as standard office applications, telephone and fax (Apulu and Ige, 2011; Apulu et al., 2013; Afolayan et al., 2015). The e-infrastructure on which the internet economy thrives is not well developed in Nigeria, sometimes, businesses rely on mobile technology for internet access. The high cost of internet access affects e-business and makes it difficult to run a cost efficient online business, thereby limiting the overall competitiveness of such entities (Adesola and Adeyinka, 2008; Afolayan et al., 2015). A study by Lal (2007) found out that SMEs that have adopted ICTs did so in order to enhance efficiency in production or service. However, during implementation they encountered problems such as high initial capital outlay, inadequate in-house ICT trained personnel, poor interconnectivity and high cost of operations and maintenance. Evbuomwan et al. (2012) suggest that SME operators in Nigeria should insure their lives and properties and operations with the relevant insurance agencies so as to moderate the effect of these constraints on their operations in the years ahead.



### **4.3 The institutional influences on entrepreneurship in Nigeria**

The socio-cultural variables such as family structure are partial determinants of the supply of entrepreneurs and the rate of economic growth in Nigeria (Nafziger, 1969). The variables such as the extended family or kinship system, religion and gender, norms and customary practices influence entrepreneurship in Nigeria.

#### **I. The extended family system**

The extended family system is associated with the state of entrepreneurial activities in Nigeria. The family system serves as a basis of interaction among its members and it is based on common ancestry in which, the degree of separation is irrelevant. The family system is thus defined as a, 'multiplicity of primary familial relationship, usually determined by kinship, where everybody is a father, mother, brother, sister or child, which functions to meet the emotional, financial, physical and social needs of members'. Like other social structures, the family system could stimulate or stifle entrepreneurial activities (Abimbola et al., 2011 p.272 - 273).

In the past, entrepreneurship in Nigeria depended on apprenticeship training before the subsequent establishment of the firm. The extended family may be responsible for organising the initial contacts with capable apprentice instructors. The entrepreneur may also depend on the family for the initial financial capital needed to start his enterprise; and there may not be any formal obligation to repay the family for the initial capital. In some rare cases however, a potential apprentice who might

otherwise be able to afford apprentice training might forgo doing so as a result of the demands on his income by the extended family for consumption purposes (Nafziger, 1969). Similarly, Abimbola et al. (2011) identified instances where entrepreneurs divert loans meant for business to maintain their large family size.

Family members may help an entrepreneur to obtain access to creditors, suppliers, merchants, local officials, and persons with economic power and influence. Sometimes, suppliers may extend credit to the entrepreneur only if a member of the extended family guarantees payment. Hiring of workers was also influenced by social claims and obligations. This made the influence of associations of the extended family in the home village strong; particularly in the businessman's acquisition of labour and apprentices. Most small firms were obliged to obtain more than half of their labour force from the entrepreneur's home city or village (Nafziger, 1969).

In its contemporary form, the dynamics between the extended family and entrepreneurial activities are shifting. The shifts are influenced by factors such as: migration of people from rural to urban centres in search of livelihood and this has widened geographical propinquity between family members. Western education has changed people's world view and also lessened the influence of extended family on its members (Abimbola et al., 2011). The country has its own form of social security system, where the more gifted or prosperous members of the family shoulder the responsibility of the welfare of the younger or less fortunate extended

family members e.g. the younger ones and less fortunate extended relative (Limbs and Fort, 2000). Changing patterns of parenthood and economic conditions have also reduced the tradition of having to take care of children of extended family members (Abimbola et al., 2011).

The relationship between family dynamics and business in Nigeria is reflected in the high number of privately held firms which tend to be family owned and operated (Limbs and Fort, 2000). In such businesses, the chairman tends to also be the founder. His actions and behaviour reflect the values and expectations within his family. Leadership and control of businesses tend to be skewed in favour of older family members. Traditionally, respect for the leadership and wisdom of elders is held as important. Leadership and control of businesses tend to be in favour of older family members. Therefore, in some cases, the business structure tends to be one in which the patriarch is at the head to operate the business; or where two brothers are senior officials of a business, the reins of power would be in the hands of the older sibling (Limbs and Fort, 2000).

The Nigerian custom, places an obligation on the male child to be the economic provider, emotional protector and leader (Mordi et al., 2010). There is a link between customary inheritance practices in Nigeria and small businesses continuity on the demise of their owners. Sometimes in polygamous family contexts, there are inheritance struggles which could be because of long suppressed feelings of rivalry,

suspicion, and jealousy among co-heirs. Inheritance struggles which arises may spell the death of the business enterprise and also severely damage the family ties. In some cases, the entrepreneurs' relatives at home could intervene giving overriding consideration to the siblings who are capable and competent to manage the business irrespective of the position of such children in the traditional hierarchy of inheritance (Sam, 1998). In some cases, business owners plan their business succession to prevent inheritance struggles. For example, in cases where the children of a business owner are still in school, the business owner could make use of professionals in the functional areas until the time they are out school. After which, the children would take over the business gradually (Limbs and Fort, 2000).

Based on the views of entrepreneurs interviewed in a study, the extended family still has a strong influence on its members in terms of loyalty to the group, reciprocity and sharing among group members. The less educated entrepreneurs tend to hold the respect of family members as very important believing that, 'if you sell your family member at a very cheap price, it will be difficult to buy him back, even, at a higher price', 'blood is thicker than water.' However, the general agreement is that even though the extended family members could be relied upon for social support, largely, the family is a burden on entrepreneurship (Abimbola et al., 2011 p.276).

## **II. Gender and religion**

In the Nigerian constitution, women have equal rights as men. However, the value system based on patriarchal thought systems reinforces religious philosophies in which the 'God-given' roles of women are those of being a mother and wife i.e. caring roles and obligations. Women tend to have less control e.g. in terms of income. The expectations are that women should be humble, modest and should give priority to their natural roles as women and take a lesser role in business or income earning activities (Mordi et al., 2010).

In cases where women work and have their own sources of income, the society frowns upon men who demand money from their wives or who depend on them. Gradually, things are changing in some parts of Nigeria and increasingly, women are becoming involved in enterprising activities and society is becoming more accepting of families with female breadwinners (Limbs and Fort, 2000). Nigeria has more women entrepreneurs than men and more early-stage female entrepreneurs than males (Global Entrepreneurship Monitor, 2012). Nigerian women, 'are estimated to own or manage 25-30 percent of registered businesses, of which a mere 10-15 percent have access to appropriate bank credit' (Halkias et al., 2011 p.225). Fewer women have access to finance compared to men. The Nigerian women entrepreneurs also lack support in their ventures and would welcome the opportunity to further upgrade their skills (Mordi et al., 2010). Out of the Nigerian

adult population, 21.4 million females are financially excluded compared to 15.6 million males (Enhancing Financial Innovation and Access, 2014). Therefore, by supporting women owned enterprises, government authorities and policy makers will further strengthen the Nigerian economy and create the basis for continued growth and development.

Religious movements have fostered the economic environment in Nigeria. For example, Islamic trading networks of the Hausa of Nigeria have responded to economic crisis at home. These networks have globalised their activities and have created transnational trading linkages and informal remittance flows that stretch to North America, Europe, the Gulf States and East Asia. Islamic religion was also central to the formation of a cohesive ethnic identity among participating producers in the enterprise clusters in Ilorin. Membership in Evangelical and Pentecostal churches provided solidarity and communal integration among the Bende and Igbo garment clusters. Church-based connections who observed strict moral code, offer businesses access to trustworthy labour and business contacts. They also provide access to flows of resources and information through regional and global Pentecostal networks (Meagher, 2009). Though trust-based relationship is not new in Nigeria, 'its presentation in religious terms represents the shift towards more ethnic- and religious-based differentiation in business' (Lyon and Porter, 2009, p.910).

Religion also influences the business process for example, during the annual Muslim fasting period, work is usually slow paced and Fridays are usually half days in the Northern parts of Nigeria (Aluko, 2003).

### **III. Norms, values and customary practices**

Nigeria has a culture of work and strong work ethics for example, the Yorubas have words that reflect this philosophy which states that, 'work is the antidote of poverty'. The Ibos work ethics philosophy believe that, 'no work is beneath an Ibo's dignity, only sloth is' (Aluko, 2003 p,170). The norms include the customs of cooperation, reciprocity and interaction. They define what actions are deemed to be right or wrong. In Nigeria, illegal practices are widespread and in many cases, they are the norm (Lyon and Porter, 2009). The illegal practices create an almost parallel economy with its own traditions and values and the illegal becomes blurred and irrelevant. Traders target any goods as long as the potential profit margins are high irrespective of their legal status. Illegality does not matter because entrepreneurial advantage lies in the trade itself and making it work (Fadahunsi and Rosa, 2002). Corruption and bribery have become completely institutionalised and now appears to have become a permanent feature of the Nigerian polity. Corruption is an example of opportunistic behaviour which exists as a result of high level of information asymmetries that characterise complex economic activity. Corruption is detrimental to entrepreneurial activities because it increases entrepreneurial risks

e.g. reduction of profits when the actors along the value chain are opportunistic (Anokhin and Schulze, 2009). It has entered into the realm of the culture and the value-system, becoming the norm rather than anomaly (Aluko, 2003; Aluko, 2004). In contrast to previous research which has described entrepreneurs and business owners' as passive victims who are forced to pay bribes by powerful government officials; corruption is common among SMEs and is embedded in social relationships. Bribe-initiating Nigerian entrepreneurs, rely on connectors who are socially and/or politically influential such as: ex-military generals, retired politicians, and former top technocrats, to act as fronts when dealing with government officials. The connectors are useful in the process because of, 'their practical and discursive knowledge of state budgeting and procurement rules and easy access to resource allocation officials' (Ufere et al., 2012 p.2451). These forms of activities undermine institutional forms of trust because actors would not be able to build confidence without having a personalised relationship. Institutional trust is weak Nigeria; government-related regulatory systems have been associated with widespread corruption. As a result, institutional-based trust is sometimes built on organisations parallel to the state such as: trader associations, traditional chieftaincy systems and community leadership. Such arrangements boost people's confidence in others' actions without personal relations (Lyon and Porter, 2009).



## **Conclusion**

The chapter presented background information about the Nigerian entrepreneurial environment. It also discussed the entrepreneurial activities in Nigeria and the constraints that impede access to resources for SMEs. The key socio-cultural variables that impact entrepreneurship in Nigeria, identified from literature were also discussed. In the next chapter, a secondary data set from the World Bank enterprise survey is analysed to highlight the market access and financial access constraints amongst Nigerian SMEs.

## **Chapter 5**

### **SECONDARY DATA ANALYSIS AND RESULTS**

#### **5.1 Introduction**

The aim of this chapter is to present the analysis of a secondary data set from the World Bank enterprise survey. The Nigerian enterprise survey data used for this analysis was carried out by the World Bank between April 2014 and February 2015 around the same period the survey data for this study was collected. The enterprise surveys are used to build a panel of enterprise data which helps to track changes in the business environment (World Bank, 2014c). These changes can be accommodating or constraining to SMEs and play an important role in whether a country will prosper or not. Business owners and top managers were interviewed and the questions covered a range of business environment topics such as, corruption, access to finance and other performance measures.

The analysis is useful in strengthening the findings from the literature about the constraints to entrepreneurship in Nigeria. Particularly, the analysis highlights the market access and financial access constraints amongst SMEs. The state of the Nigerian entrepreneurial environment influences the opportunities and threats perceived about doing business in Nigeria. From the diaspora entrepreneurship perspective, the entrepreneurial environment in Nigeria could influence diasporans' perceptions and the extent of their willingness to do business or invest in Nigeria.

From policy perspective, the barriers to doing business in the country pose a threat to realising the government's vision of building a thriving entrepreneurial environment.

Policymakers are interested in addressing key areas of constraints of SMEs. By addressing these holistically, the constraints can be reduced or eliminated. The key players in the Nigerian entrepreneurial ecosystem are: policy and regulation, access to finance, capacity building, access to markets, access to resources, business support and research and development (Fate Foundation, 2016). Diasporans could be players in the ecosystem in terms of: market access (diaspora export programme), capacity building and access to finance (Federal Republic of Nigeria, 2014; Fate Foundation, 2016). These possibilities are based on diaspora resources such as their networks, knowledge, skills and their transnational practices e.g. sending of remittances to the country of origin. The analysis in this chapter would contribute to the discussion in chapter 8 about the extent to which diasporans and their resources could be leveraged as players in the entrepreneurial ecosystem to transform the SME sector in Nigeria.

## **5.2 The challenges affecting the SME sector in Nigeria**

The analysis sought to investigate whether access to finance and market access constraints differ among SMEs. Access to finance and market access are part of the

constraints faced by SMEs in Nigeria (Small and Medium Enterprises Development Agency of Nigeria, 2013). Nigerian SMEs typically lack knowledge, lack access to market opportunities and marketing resources (Okpara, 2009; Adenugba and Junaid, 2012). They lack adequate support about export, and documentation can be cumbersome and complicated (Adenugba and Dipo, 2013).

### 5.2.1 Classification of SMEs

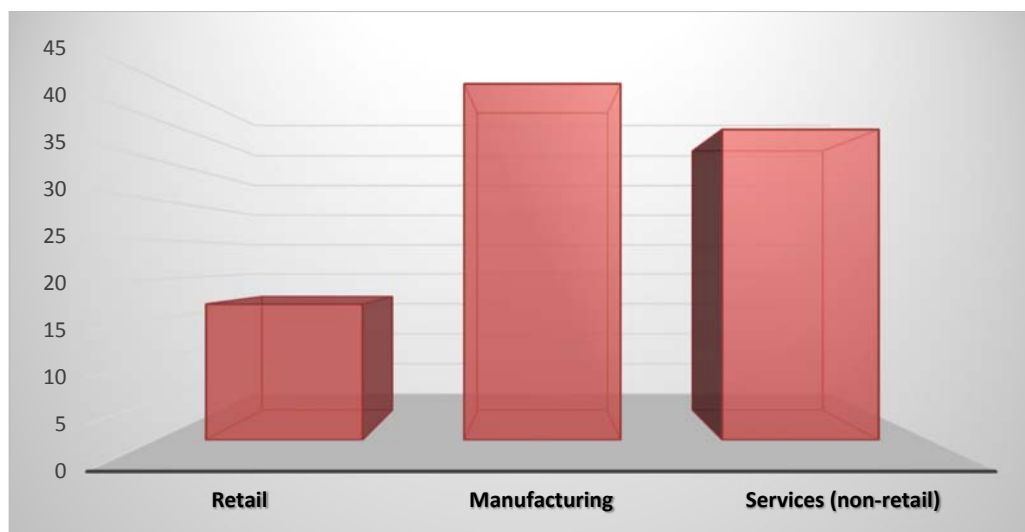
There were overlaps between the World Bank classification of SMEs and the Nigerian MSME policy classification. These overlaps are presented in Table 5.1 and for comparability purposes, the data were reclassified to fit the Nigerian MSME policy definition of SMEs. The SMEs were re-grouped according to employee size using the question that asked about the number of full-time employees of the SMEs.

Table 5.1: **Overlaps in size of business classification**

	World Bank Classification	Nigerian MSME Policy Classification
Micro enterprises	5-19	0-9
Small enterprises	20-99	10-49
Medium enterprises	>100	50-199

The total survey population was N=2,676 and after the reclassification, a sample size of n=1,326 was used for the subsequent analysis. The difference accounts for the micro business category. The sample size is made of small enterprises (81%) and medium enterprises (19%).

**Figure 5.1: SMEs by sector**



World Bank Enterprise Survey (2014c)

The distribution of SMEs by sector is displayed in Figure 5.1. The largest sector is manufacturing 44% while services and retail are 39% and 17% respectively. The characteristics of the SMEs across the three sectors are shown in Table 5.2.

**Table 5.2: Business classification across sectors**

Business classification	Detail	Retail	Manufacturing	Services	Total
Small Enterprises	Count	194	458	424	1076
	% within business classification	18%	43%	39%	100%
Medium Enterprises	Count	30	131	89	250
	% within business classification	12%	52%	36%	100%
Total	Count	224	589	513	1326
	% within business classification	17%	44%	39%	100%

World Bank Enterprise Survey (2014c)

Table 5.3 shows that 76% (1007) of the SMEs have a checking or savings account and 42% of these are in the manufacturing sector. However, only 8.4% of the SMEs (111) have a line of credit and 52% of them are in the manufacturing sector. Only 1.4% (18) of the SMEs have an overdraft facility and 61% of such SMEs are in the manufacturing sector, compared to the retail (6%) and services sectors (33%). These findings suggest that the financial challenge for the SMEs may not necessarily be about being unbanked (Nwachukwu and Uchenna, 2016) but rather, about lack of use of financial products which could meet the needs of the SMEs (Oseni and Oseni, 2015). This explanation is also supported by the difference between access to and the use of formal credit highlighted by Ruziev and Midmore (2015).

**Table 5.3: SME characteristics across sectors**

	Total number of SMEs	Retail	Manufacturing	Services
Line of credit	111	15%	52%	33%
Government financing	31	16%	0%	84%
Checking or savings	1007	18%	42%	40%
Overdraft facility	18	6%	61%	33%
Female top manager	126	20%	37%	43%

World Bank Enterprise Survey (2014c)

The retail and manufacturing sectors have lower percentages of female top managers e.g. 20% and 37% respectively, compared to 43% in the services sector. Only 2.3% of the total number of SMEs (31) received government financing and 84% of these SMEs are in the services sector compared to the other two sectors. According

to Halkias et al. (2011) fewer women have access to finance compared to men and only 10-15 percent of women have access to appropriate bank credit. The findings suggest that a higher percentage of SMEs with female top managers are in the services sector and such SMEs rely on government financing. This also suggest that in terms of financial inclusion, women business owners or managers are more disadvantaged. Table 5.4 shows that in terms of business registration, more SMEs in the manufacturing sector are registered compared to other sectors and more have been registered for more than ten years. Egbetokun (2015a) points out that there are likely to be more formally registered SMEs in the manufacturing sector than in the services sector because the former is a more organised sector. This factor could have contributed to the manufacturing SMEs having better access to financial services compared to the other sectors.

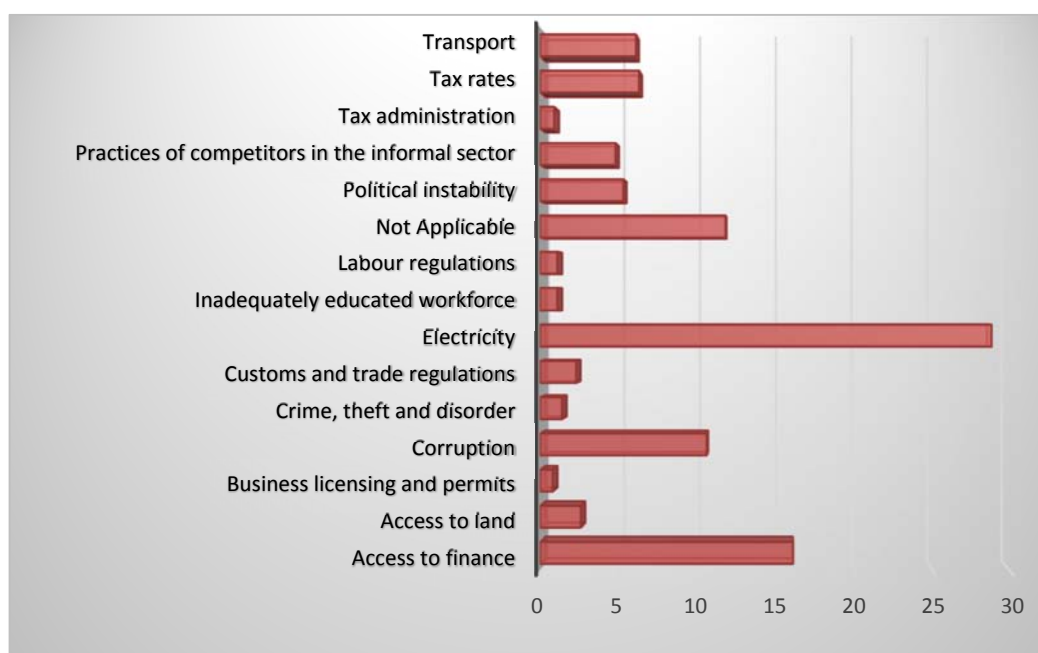
**Table 5.4: Year of business registration across sectors**

Years of business registration	Detail	Retail	Manufacturing	Services	Total
Up to five years	Count	11	32	36	79
	% within years of business registration	14%	41%	45%	100%
6-10 years	Count	36	102	81	219
	% within years of business registration	16%	47%	37%	100%
Above 10 years	Count	158	383	337	878
	% within years of business registration	18%	44%	38%	100%
Not specified	Count	1	2	2	5
	% within years of business registration	20%	40%	40%	100%

World Bank Enterprise Survey (2014c)

Based on the ratings of the respondents, the challenges SMEs face in Nigeria include: lack of electricity, access to finance and corruption. These challenges are displayed in Figure 5.2. The subsequent analyses focus on access to finance and international markets, which are areas where the diaspora resource support is envisaged.

**Figure 5.2: Obstacles faced by SMEs in Nigeria**



World Bank Enterprise Survey (2014c)

### 5.3 The challenges of access to finance for Nigerian SMEs

Principal component analysis (PCA) of the SMEs access to working capital and fixed asset financing was carried out to identify the significant components of access to financial resources by SMEs. In order to compare the differences, the working capital and assets financing variables were grouped according to the two business types - the small and medium enterprises. As shown in Table 5.3 there are fewer SMEs with



a line of credit and overdraft facility compared to the total number of SMEs with checking or savings account. According to Nwachukwu and Uchenna (2016), small businesses are part of the unbanked population in Nigeria, while Akin-Fadeyi (2015) explains that the majority of adult Nigerians access more loans from informal sources than through banks.

### **I. Access to finance and business size**

The significance level of .0001 in Table 5.5 shows that the variances are not equal across the two groups and they are not highly correlated.

**Table 5.5: KMO and Bartlett's Test**

		Working capital financing	Fixed asset financing
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.432	.584
Bartlett's Test of Sphericity	Approx. Chi-Square	219.383	219.383
	df	15	15
	Sig.	.000	.000

### **II. Financing working capital financing and business size**

Figure 5.3 presents the component scree plot and the results of the PCA are shown in Table 5.6. Component 1 comprises of small enterprises that fund working capital through informal sources (component loading of .925) and from internal funds or retained earnings (component loading of -.824).

**Figure 5.3: Components scree plot (working capital – small enterprises)**

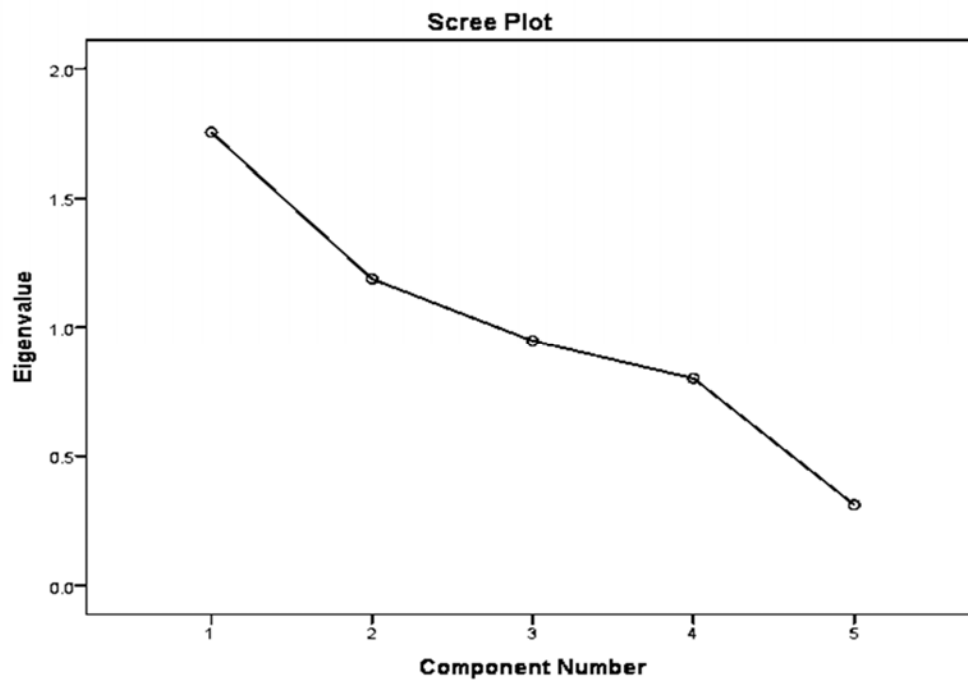


Figure 5.4 displays the components scree plot and the results for the medium enterprises shown in Table 5.7 are similar to those of the small enterprises. Working capital is sourced mainly from informal sources and through internal retained earning. In both cases, this accounts for 35% and 33% respectively of variances explained by the first components. For example, component 2, as shown in Table 5.6 comprised of small enterprises who finance working capital through non-bank financial institutions (component loading of .694).

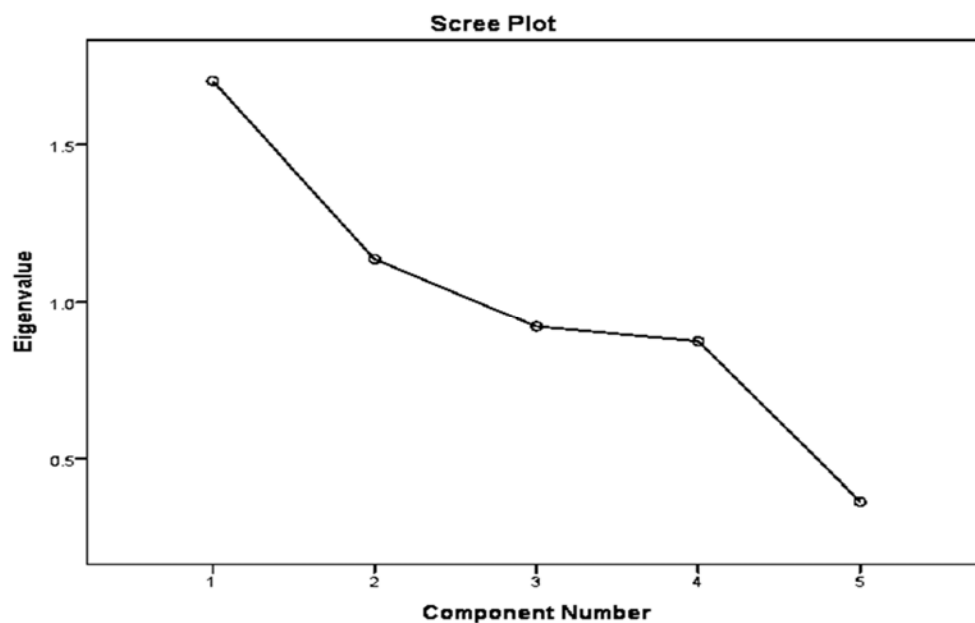
**Table 5.6: Rotated component matrix (working capital – small enterprises)**

	Component	
Variance	35%	24%
	1	2
%Working capital financed by other (relatives, money lenders, friends etc.)	.925	
%Working capital financed by internal funds/retained earnings	-.824	
%Working capital borrowed from non-bank financial institutions		.694
%Working capital borrowed from banks		.691
%Working capital purchased on credit advances from suppliers/customers		.505

Selection variable = small enterprises

In the similar component for medium enterprises shown in Table 5.7 the highest component loading (.663) shows more working capital is funded through banks.

**Figure 5.4: Components scree plot (working capital – medium enterprises)**



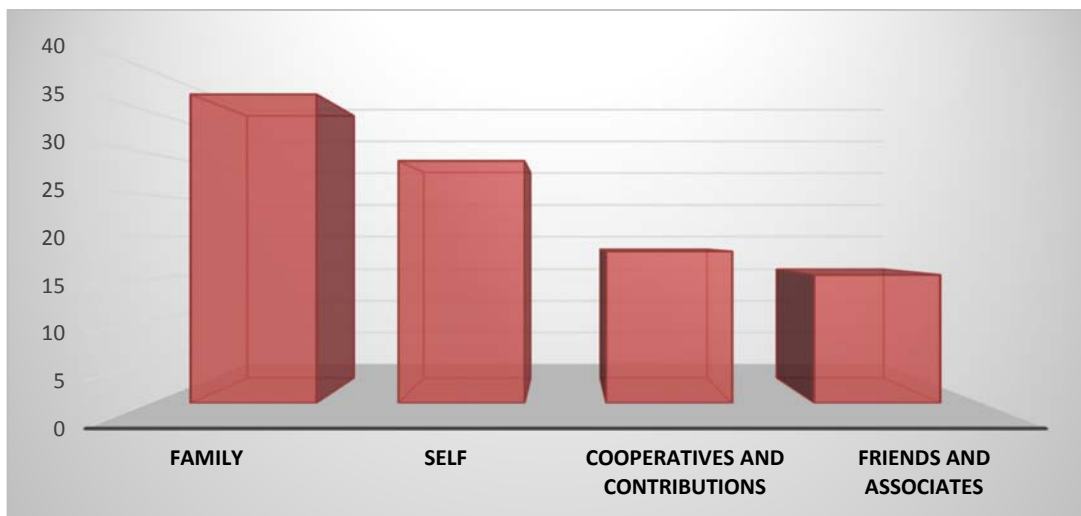
**Table 5.7: Rotated component matrix (working capital – medium enterprises)**

	Component	
	1	2
Variance	33%	23%
%Working capital financed by other (relatives, money lenders, friends etc.)	.915	
%Working capital financed by internal funds/retained earnings	-.761	
%Working capital borrowed from banks		.663
%Working capital borrowed from non-bank financial institutions		.646
%Working capital purchased on credit advances from suppliers/customers		.520

Selection variable = medium enterprises

Figure 5.5 shows the informal sources of working capital finance as specified by the respondents. They are sourced mainly from family members and from personal savings. This is a common practice among SMEs in Nigeria (Abereijo and Fayomi, 2007; Eniola and Entebang, 2015). This also suggest that SMEs rely on close ties such as family members to access funds. Culturally, kinship-based business investments are supported in Nigeria, family members are helped in setting up businesses to sustain themselves (Limbs and Fort, 2000; Mordi et al., 2010).

**Figure 5.5: Informal sources of working capital finance**



World Bank Enterprise Survey (2014c)

## Hypothesis testing

H1: There is a no significant difference in financing working capital according to business size. The hypothesis is rejected because using the SME size as grouping variable, the results in Table 5.8 show that there is a significant relationship between the size of a business and access to financing working capital through banks; this is significant at .001.

**Table 5.8: Test of significance (% working capital finance)**

	%Working capital financed by internal funds/retained earnings	%Working capital borrowed from banks	%Working capital borrowed from non-bank financial institutions	%Working capital purchased on credit advances from suppliers/customers	%Working capital financed by other (relatives, money lenders, friends etc.)
Chi-Square	.339	7.118	0	.247	2.559
df	1	1	1	1	1
Asymp. Sig. (2-tailed)	.524	.001	.512	.584	.142

Grouping variable: size of SMEs

## Fixed asset financing and business size

The rotated component matrix shown in Table 5.9 reveals components of access to fixed asset finance for small enterprises. For small enterprises, the component loading is higher for fixed asset financed by bank borrowing (.673) and through non-bank financial institutions (.594). Comparable to small enterprises, Component 1 for medium enterprises also reveals a higher component loading (.769) for percentage of fixed assets funded externally by banks and non-bank financial institutions (.729)

and this is shown in Table 5.10. However, for both small and medium enterprises, the variance accounted for is lower in each component for fixed asset financing compared to working capital financing.

**Table 5.9: Rotated component matrix (fixed asset – small enterprises)**

	Component	
	1	2
Variance	25%	18%
%Fixed assets funded by internal funds/retained earnings		.770
%Fixed assets funded by other (relatives, money lenders, friends etc.)		-.683
%Fixed assets funded by bank borrowing	.673	
%Fixed assets funded by non-bank financial institutions	.594	
%Fixed assets funded by owners' contributions or issued new equity	.584	
%Fixed assets funded by credit advances from suppliers/customers	.579	

Selection variable = small enterprises

The high component loadings show the SMEs that are financed externally through banks and non-bank financial institutions compared to informal and internal sources.

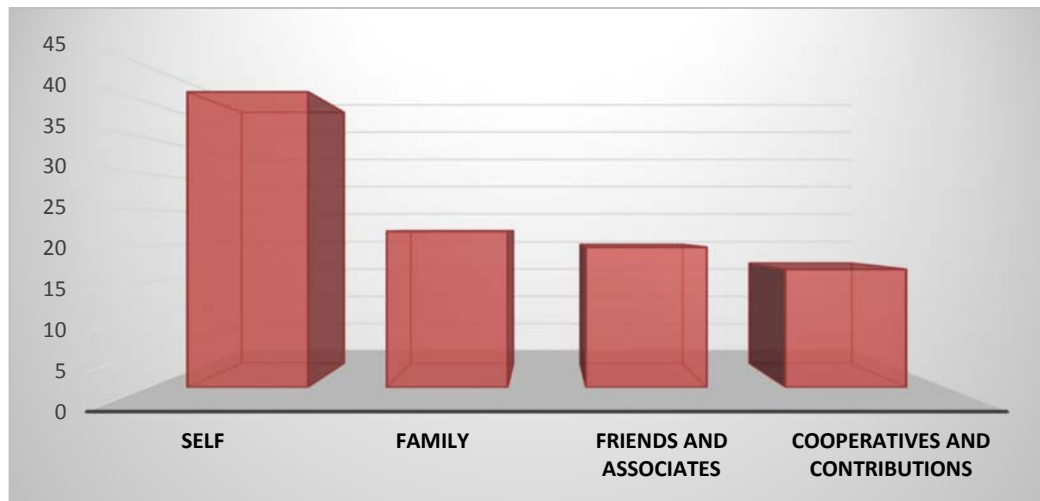
**Table 5.10: Rotated component matrix (fixed asset – medium enterprises)**

	Component		
	1	2	3
Variance	25%	18%	17%
%Fixed assets funded by internal funds/retained earnings			.861
%Fixed assets funded by other (relatives, money lenders, friends etc.)		.817	
%Fixed assets funded by credit advances from suppliers/customers		.751	
%Fixed assets funded by bank borrowing	.769		
%Fixed assets funded by non-bank financial institutions	.729		
%Fixed assets funded by owners' contributions or issued new equity			

Selection variable = medium enterprises

The sources of informal fixed asset finance displayed in Figure 5.6 show that they are mainly through the entrepreneur/business owner and family members.

**Figure 5.6: Informal sources of fixed asset finance**



World Bank Enterprise Survey (2014c)

### Hypothesis testing

H2: There is no significant difference in access to fixed assets finance according to business size. The results in Table 5.11 show that there is no significant relationship between access to fixed assets finance and business size.

**Table 5.11: Test of significance (% fixed asset finance)**

	%Fixed assets funded by internal funds/retained earnings	%Fixed assets funded by owners' contributions or issued new equity	%Fixed assets funded by bank borrowing	%Fixed assets funded by non-bank financial institutions	%Fixed assets funded by credit advances from suppliers/customers	%Fixed assets funded by other (relatives, money lenders, friends etc.)
Chi-Square	1.495	.245	.034	.600	1.383	1.787
df	1	1	1	1	1	1
Asymp. Sig. (2-tailed)	.245	.895	.362	.484	.158	.405

Grouping variable: size of SMEs

### **III. Characteristics of SMEs and access to financial resources**

As shown earlier in Table 5.3 more SMEs have a checking or savings account. This does not support the assertion by Nwachukwu and Uchenna (2016) that Nigerian SMEs are unbanked. However, the findings are in line with Eniola and Entebang (2015) position that, Nigerian SMEs lack access to long and short-term financing through banks. They also tend to rely on informal sources (Akin-Fadeyi, 2015).

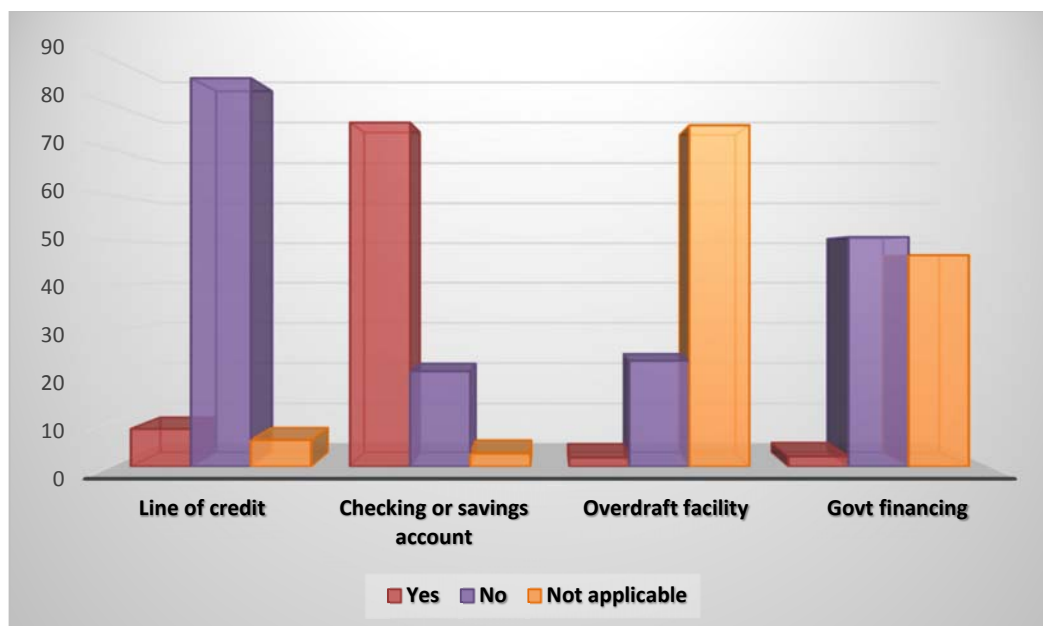
In the previous analysis, the principal sources of working capital financing for SMEs were identified as informal and internal sources while fixed asset financing are mainly financed through external sources. The analysis in this section seeks to identify whether there are differences between access to finance through internal and informal or external sources based on SMEs with a line of credit, overdraft facility, government financing and checking or savings account. The tests of significance are carried out using a generalised linear model using negative binomial with log link and chi-square Pearson estimate because the means and variances are not equal.

#### **Hypothesis testing**

H3: There is no significant relationship between access to finance through informal and internal sources and having a line of credit, overdraft facility, government financing and checking or savings account.



**Figure 5.7: SMEs categorical responses**



World Bank Enterprise Survey (2014c)

Figure 5.7 shows SMEs without a line of credit or loan from a financial institution (86%), without overdraft facility (23%) or without government financing (51%). However, more SMEs have either a checking or savings account (76%) than those without accounts. The results of the test of significance are presented in Table 5.12. For each of the dependent variable, the omnibus test shows a log likelihood at  $p < 0.05$  indicating that the models are statistically significant.

**Table 5.12: Access to finance through internal and informal sources**

Parameter	B	Std. Error	Wald Chi-Square	df	Sig.
%Working capital financed by internal funds/retained earnings Omnibus test					.0001
<b>[Line of credit =Yes]</b>	<b>0.461</b>	<b>0.1164</b>	15.66	<b>1</b>	<b>0.0001</b>
<b>[Line of credit = No]</b>	<b>0.669</b>	<b>0.0957</b>	48.904	<b>1</b>	<b>0.0001</b>
<b>[Checking or saving =Yes]</b>	<b>0.921</b>	<b>0.1678</b>	30.147	<b>1</b>	<b>0.0001</b>
<b>[Checking or saving = No]</b>	<b>0.341</b>	<b>0.1588</b>	4.613	<b>1</b>	<b>0.032</b>
[Government financing= Yes]	-0.266	0.1379	3.717	1	0.054
[Government financing=No]	0.042	0.0419	1.015	1	0.314
[Overdraftfacility=1]	-0.049	0.1819	0.073	1	0.787
<b>[Overdraft facility =2]</b>	<b>0.369</b>	<b>0.1391</b>	7.049	<b>1</b>	<b>0.008</b>
%Working capital financed by other (relatives, money lenders, friends etc.) Omnibus test					.005
(Intercept)	3.014	0.3765	64.078	1	0.0001
<b>[Line of credit =Yes]</b>	<b>-0.733</b>	<b>0.3108</b>	<b>5.556</b>	<b>1</b>	<b>0.018</b>
[Lineofcredit= No]	-0.27	0.2448	1.22	1	0.269
[Checkingorsaving=Yes]	-0.079	0.3792	0.043	1	0.836
[Checkingorsaving= No]	-0.587	0.378	2.411	1	0.12
<b>[Government financing = Yes]</b>	<b>0.878</b>	<b>0.3599</b>	<b>5.954</b>	<b>1</b>	<b>0.015</b>
[Government financing=No]	-0.129	0.1119	1.325	1	0.25
[Overdraft facility =1]	0.836	0.5013	2.782	1	0.095
[Overdraft facility =2]	0.61	0.3508	3.02	1	0.082

An increase in number of SMEs that do not have a line or credit increases the percentage of working capital financed internally. An increase in SMEs with a checking or savings account but without overdraft facility increases the percentage of working capital financed internally. A reduction in the number of SMEs with a line of credit would increase the percentage working capital financed through informal sources. There is also a significant relationship between access to working capital through government funding and funding working capital through informal

sources. An increase in SMEs which have access to government financing increases the percentage of working capital finance through informal sources. These relationships are shown in Table 5.13.

**Table 5.13: Access to finance through external sources**

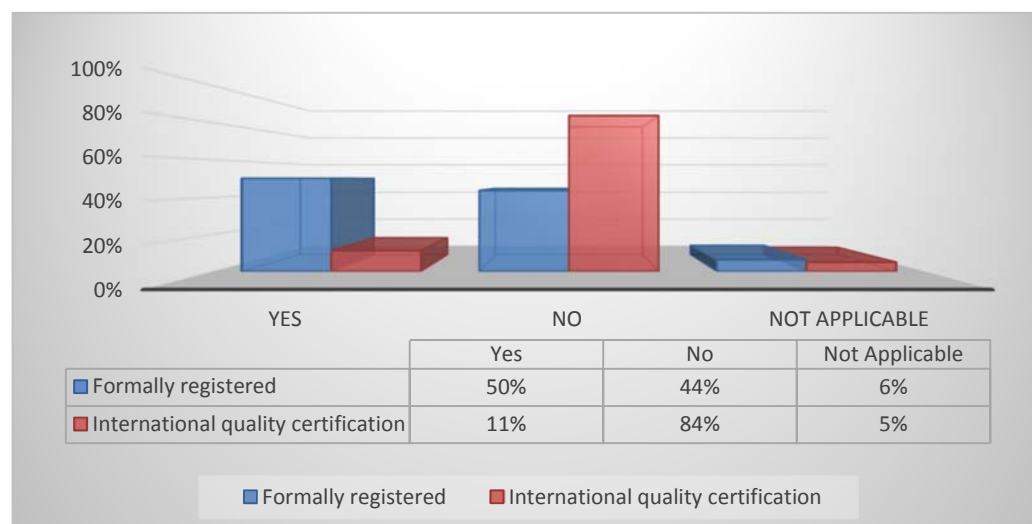
Parameter	B	Std. Error	Wald Chi-Square	df	Sig.
%Working capital borrowed from banks Omnibus test					.0001
<b>[Line of credit =Yes]</b>	<b>2.642</b>	<b>0.4752</b>	<b>30.907</b>	<b>1</b>	<b>0.0001</b>
[Line of credit = No]	0.762	0.4101	3.453	1	0.063
[Checking or saving =Yes]	0.533	0.5889	0.821	1	0.365
[Checking or saving = No]	0.453	0.6635	0.467	1	0.494
[Government financing = Yes]	0.191	0.5664	0.113	1	0.736
[Government financing =No]	0.157	0.1713	0.842	1	0.359
[Overdraft facility =1]	0.266	0.7559	0.124	1	0.725
[Overdraft facility =2]	-0.01	0.4798	0	1	0.984
%Working capital borrowed from non-bank financial institutions Omnibus test					.007
<b>[Line of credit =Yes]</b>	<b>1.481</b>	<b>0.4742</b>	<b>9.75</b>	<b>1</b>	<b>0.002</b>
[Line of credit = No]	0.662	0.4076	2.634	1	0.105
[Checking or saving =Yes]	1.384	0.7592	3.325	1	0.068
<b>[Checking or saving = No]</b>	<b>1.47</b>	<b>0.6802</b>	<b>4.67</b>	<b>1</b>	<b>0.031</b>
[Government financing = Yes]	0.228	0.5225	0.19	1	0.663
[Government financing =No]	-0.114	0.1662	0.473	1	0.492
[Overdraft facility =1]	0.392	0.707	0.308	1	0.579
[Overdraft facility =2]	0.066	0.5935	0.012	1	0.912
%Working capital purchased on credit advances from suppliers/customers					
<b>[Line of credit =Yes]</b>	<b>1.189</b>	<b>0.3263</b>	<b>13.266</b>	<b>1</b>	<b>0.0001</b>
<b>[Line of credit = No]</b>	<b>1.212</b>	<b>0.2733</b>	<b>19.673</b>	<b>1</b>	<b>0.0001</b>
<b>[Checking or saving =Yes]</b>	<b>0.954</b>	<b>0.4169</b>	<b>5.236</b>	<b>1</b>	<b>0.022</b>
[Checking or saving = No]	0.565	0.4099	1.901	1	0.168
[Government financing = Yes]	0.486	0.3631	1.794	1	0.18
[Government financing =No]	-0.134	0.1132	1.404	1	0.236
[Overdraft facility =1]	0.278	0.4994	0.309	1	0.578
<b>[Overdraft facility =2]</b>	<b>0.638</b>	<b>0.3616</b>	<b>3.111</b>	<b>1</b>	<b>0.078</b>

An increase in number of SMEs with a line of credit increases percentage of working capital borrowed from banks and non-financial institutions. An increase in number of SMEs without a checking or savings account would also increase borrowing from non-bank financial institutions. A slightly higher increase in SMEs without a line of credit would increase the percentage of working capital purchased on credit advances from suppliers/customers even if there is an increase in the number of SMEs with savings or checking account.

#### 5.4 The challenges of access to international markets for Nigerian SMEs.

Some of the market access challenges faced by SMEs are lack of knowledge and adequate information about international markets (Markham, 2004; Okpara, 2009). Export documentation and procedures tend to be tedious and complicated (Adenugba and Dipo, 2013).

**Figure 5.8: Market access categorical responses**



World Bank Enterprise Survey (2014c)

The analysis seeks to investigate the relationship between access to international markets i.e. the average number of days for exported goods to clear customs and formal business registration of SMEs and having international quality certification. For the analysis, a subset sample of exporters was used. An exporting SME have at least 10 percent of its annual sales is derived from direct exports (World Bank, 2014c). The sample was selected using the question about the average number of days for exported goods to clear customs. The sample (n=80) consists of only manufacturing firms. This shows that only 14% (80) of the sampled manufacturing businesses are exporters. Figure 5.8 shows that 50% (40) of these SMEs are formally registered but only 11% (9) have international quality certification. Among the exporting SMEs, 20% (16) and 40% (32) also reported theft and spoilage of goods respectively. The analysis sought to identify relationships between average number of days to clear customs and SMEs with international quality certification and who are formally registered.

### **Hypothesis testing**

H4: There is no significant relationship between the average number of days for exported goods to clear customs and international quality certification and formal registration of SMEs.

**Table 5.14: Factors that influence access to markets**

<b>Descriptive statistics</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>		
Average number of days for exported goods to clear customs	80	6.29	11.365		
Parameter	B	Std. Error	Wald Chi-Square	df	Sig.
Average number of days for exported goods to clear customs Omnibus test					.001
[Formallyregistered = Yes]	-1.242	.6890	3.249	1	0.071
[Formallyregistered =No]	<b>-1.66</b>	<b>.7049</b>	<b>1.494</b>	<b>1</b>	<b>0.019</b>
[International qualitycertificate = Yes]	<b>2.743</b>	<b>.8886</b>	<b>9.528</b>	<b>1</b>	<b>0.002</b>
[International qualitycertificate = No]	1.494	.8071	3.427	1	0.064

Export documentation and procedures in Nigeria are reported to be tedious and complicated (Adenugba and Dipo, 2013). The results presented in Table 5.14 show that there is a significant relationship between the number of days for exported goods to clear customs and international quality certification and formal registration of SMEs. A decrease in the number of unregistered SMEs and an increase in the number of SMEs with international quality certificate would increase the average number of days for exported goods to clear customs. Without improvement in the export processing many SMEs may continue to export through informal means which could lead to further loss of money through rejection of goods or spoilage. Lack of international quality certification for SMEs is responsible for the rejection of goods exported from Nigeria in the U.K. (Ojo, 2015).

## **5.5 Access to finance and international market for Nigerian SMEs**

In the chapter 4 access to finance was identified as one of the major obstacles facing SMEs in Nigeria. Also, SME export-related challenges that were identified arose mainly from the country of origin. In terms of the finance related challenges, the findings show that more SMEs obtain working capital finance from internal or retained earnings. They also access finance through informal sources such as family, contribution schemes, friends and associates. Those SMEs who do not have a line of credit and who do not have access to overdraft facility tend to rely on internal financing. Only about 11% of the SMEs with a checking or savings account have a line credit. The challenges of access to finance therefore seem to be compensated by reliance on internal and informal sources of finance which form the largest component of working capital sources. SMEs that finance their activities through internal or retained earnings typically have a savings or checking account but lack access to a line of credit; such SMEs also do not have overdraft facility or government finance. Furthermore, those that seek funds from informal sources typically have a line of credit and access to government funding. This gives an indication of SMEs that know what to do to access a line of credit from banks also know how to access the right channels to get government support. The findings also show that even though SMEs may have a bank account, they tend to be excluded from access to bank funding that can help them in improving access to finance. Despite the

different schemes and programmes by the government and donor agencies to provide financial support for SMEs in Nigeria, access to finance is still a major problem. From the results, out of the SMEs interviewed only 2.3% received government financial support. More SMEs with female owners/managers are in the service sector and the sector also has more SMEs who rely on government financing as an alternative. Although the survey did not ask for reasons why the SME could not access government support, a number of reasons can be inferred from literature. One is the inadequacy of the funds considering the large number of enterprises in Nigeria. Another is that government funds for SMEs are subject to institutional force of corruption where funds are diverted and may not reach the SMEs who need it. There are also no indications of monitoring and supervision of government funds disbursed to SMEs. Moreover, even where it is undertaken, monitoring might be poor. Some SMEs would take advantage of this to divert the funds meant for their businesses for other purposes. Poor monitoring and supervision contributed to high rate of default in past efforts to support small businesses in Nigeria (Okoye, 1998). This also affects bank lending to SMEs, particularly in the rural areas because banks find it costly to reach and monitor SMEs in such places. Lack of monitoring and supervision could contribute to access to finance challenges considering the results show a significant link between those who access funds through informal sources and government funding in the analysis. Informal sources, such as family members,



could provide financial support for SMEs but may not monitor the use of the funds provided. Such SMEs may view funds from the government as a national cake which they are entitled to as citizens. Informal sources such as family members could give gift or make investment without stringent conditions. The purchase of fixed assets is funded mainly through external sources, such as banks and non-financial institutions, and there are no significant differences between SMEs in terms of size. This suggests that SMEs main sources of fixed asset finance are banks and non-financial institutions though only a few of them can access such funds.

In terms of international market access, the results show that among the SMEs interviewed only 14% are exporters and all are in the manufacturing sector. The lack of access to finance limits SMEs ability to explore other markets. The constraint of poor electricity supply means that SMEs are unable to produce at expected capacity. Lack of electricity increases SMEs reliance on alternative options to obtain electricity. This can make accessing electricity very costly and could make product price exorbitant and affect product quality. Access to fixed asset finance to acquire fixed assets, such as machinery for manufacturing, also affects market access for SMEs. Accessing this type of long-term financing is difficult for SMEs who may lack access to assets for collateral to guarantee the loan. The results show that although half of the manufacturing SMEs interviewed were formally registered, only 11% of these have international quality certification. Without quality certification, exported

goods may be rejected at the export destination; if they are not up to international standards. In addition, the complications and tediousness of export documentation and customs clearance will increase the number of days to clear goods and this may subject the goods to spoilage and theft.

## **Conclusion**

This chapter presented the analysis and the results of the World Bank - Nigerian enterprise survey. The data addressed SMEs aspect of this study which could not be obtained from the diasporans and the findings help to triangulate and obtain further insights about the research questions. The results show that manufacturing sector has more SMEs compared to retail and services sectors. The SMEs financial access obstacles are less about being unbanked but more about the actual use of and benefitting from financial products. Though SMEs in the manufacturing sector have better access to a line of credit, checking or savings accounts and overdraft facility, the percentage is rather small. In the next chapter, the research design and methods adopted for the empirical study are discussed.

## **Chapter 6**

### **RESEARCH DESIGN AND METHODS**

#### **6.1 Introduction**

This chapter describes the research approaches adopted in studying Nigerian diasporans' willingness to participate in transnational entrepreneurial activities. What constitutes truth and how we come to know what we know and the search to understand how we can know reality can be explained across a wide range of philosophical traditions. Questions about acceptable knowledge seeks to understand what counts as knowledge and the relationship between the researcher and the objects of the research. This chapter also discusses the philosophical assumption which is crucial to understanding the overall perspective of the research and how the assumptions relate to the development of knowledge and the nature of that knowledge (Saunders et al., 2009). Research is written based on the philosophical tradition adopted and researchers make claims about, what constitutes knowledge, how knowledge is known, how we know it and the values that goes into it on these basis (Creswell, 2003). The chapter also discusses the underlying assumptions that informed the research design and methods adopted to carry out the current study. It discusses the purpose of the study, the ethical considerations, carrying out an E-survey and the statistical tools adopted.

## **6.2 Post-positivism, Interpretivism and the current study**

A research does not exist by itself but could be motivated by a particular question or an issue. In studying Nigerian diasporans' willingness to contribute to transnational entrepreneurial activities, this research adopts a quantitative/interpretivist approach using a survey method as the predominant methodology. Post-positivism refers to thinking after positivism, based on the realisation that there cannot be 'positive' claims of knowledge when studying the behaviour and actions of humans. It is reductionist in that it aims to reduce ideas into discrete sets such as the variables which constitute hypotheses and research questions. This paradigm guides the quantitative research methodology (Creswell, 2003).

In terms of the interpretive perspective of this study, interpretive quantitative research suggests that statistical models should help the data 'tell its story'. Meaning that, statistics aid the discovery, explanation and the interpretation in a more systematic fashion even though at the outset 'it appears to be an obscure, perhaps ambiguous human event or situation' (Babones, 2015 p.6). Through creative exploration, description emerges and serves to organise the findings in order to fit them with explanations and then test or validate these explanations (Knupfer and McLellan, 1996). Therefore, the research does not dogmatically hold on to an overall truth but also recognises contexts as situational and temporal limits for

entrepreneurship to frame research questions and research designs (Whetten, 1989; Welter, 2010). This study views the entrepreneurship process as social phenomena and therefore, the context provides the backdrop for exploring the relationship between the diaspora and entrepreneurship process.

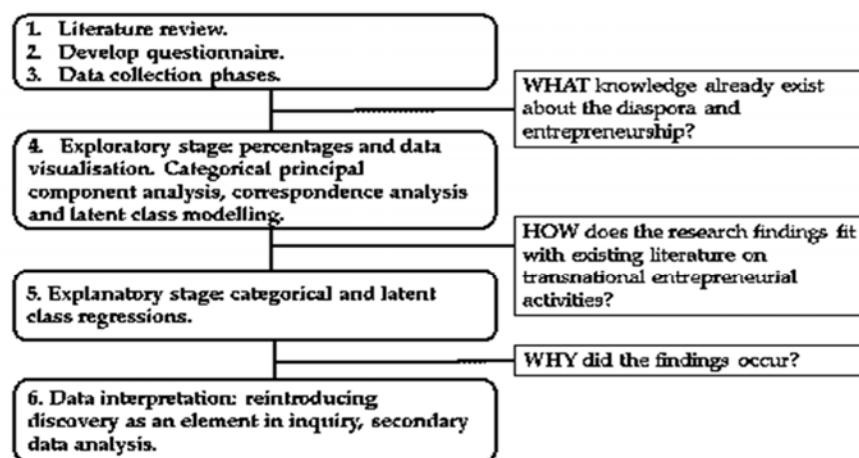
According to Morgan (2007) mixing paradigms in a study is possible provided crossing boundaries does not deny meaningful communication across such boundaries. Issues of language and meanings often need to be negotiated and research questions are central to paradigm choices which links theory to research. The post-positivist and interpretivist paradigms share similar view of reality. Reality is viewed as being concept-dependent and needing interpretive understanding (Zachariadis et al., 2013). Therefore, even though social reality exists independent of our interpretation of it, our knowledge of it, is limited to our interpretation of the phenomenon. As a result, multiple perceptions of social realities exist about a phenomenon because those who interpret it, do so differently. This is particularly important when the objects of knowledge are agents rather than reagents which can be controlled. In line with the research questions, this study is exploratory in nature. The empirical research involves hypothesis testing which guides the data analysis. Prior to setting the goals and objectives of a research, it is useful to identify the purpose of the research. A single study can have multiple purposes or may be part of a research that spans two or all three purposes such as: exploratory, descriptive,

and explanatory research (Sue and Ritter, 2012). A descriptive research could refer to the type of research question, design and data analysis applied to a research topic (Knupfer and McLellan, 1996). In terms of a research question, the aim is to describe characteristics of populations based on data collected from samples (Sue and Ritter, 2012). In terms of the quantitative design, the study does not definitely fit into quantitative or qualitative methodologies but utilises the two. It is also less interpretive compared to qualitative studies such as phenomenological or grounded theory descriptions (Knupfer and McLellan, 1996).

### **6.3 The research process**

The research process begins with seeking to understand factors that drive country of origin entrepreneurial activities among Nigerian diasporans. The process is displayed in Figure 6.1 and begins with the literature review. This involved reviewing existing body of knowledge about SMEs and entrepreneurship and the diaspora. These helped in defining concepts and understanding theories. Key concepts from the literature review were then used in developing the questionnaire (see appendix).

Figure 6.1: The research process



The research process moved from general to specific by an initial exploratory analysis which helped to situate the study within existing literature. Based on the findings of the exploratory stage, the findings were further investigated to understand how the findings fit existing literature. The regression statistics helped to understand 'why' the findings occurred. The findings from the secondary data analysis were then introduced at the interpretation stage to triangulate the empirical research findings.

## 6.4 Methodology

For this study, the methodological choices were influenced by both theoretical and practical considerations i.e. the research questions as well as the need to identify diasporans from a wider population of migrants. The methodology adopted by

other researchers studying both migrant populations and diaspora populations are shown in Table 6.1. These studies adopt different methodologies that suit the nature of inquiry. Most studies that focus on the diaspora population tend to be qualitative and adopt purposive sampling because of the need to identify the diaspora population. Other studies that do not differentiate between the general migrant population and the diaspora tend to use quantitative survey methods. However, for this study a survey method was deployed to explore the perceptions of diasporans towards transnational entrepreneurial activities.

The use of quantitative survey with purposive sampling is justified by a number of reasons. Firstly, a key issue identified from the literature review is that the interchangeable use of the terms 'diasporans' and 'migrants' in literature does not give a true picture of the phenomenon. The definition of diasporans by Safran (1991) is that diasporans are those who maintain ethnic or national identity or link with the country of origin e.g. through their offline and online activities. This gives a truer picture of who diasporans are compared to Riddle's (2008) definition. This difference is important because indeed, not all immigrants are willing to maintain links with the country of origin compared to diasporans. Likewise, immigrant entrepreneurship like ethnic enclaves takes place in host country context and 'does not provide indications for investment behaviour towards the homeland' (Elo and Riddle. 2016, p.17).



**Table 6.1: Sample of empirical studies of immigrant and diaspora populations**

<b>Author</b>	<b>Research objectives</b>	<b>Focus</b>	<b>Design</b>	<b>Methodology</b>	<b>Sampling</b>
Tung and Chung (2010)	Whether members of diaspora can facilitate trade between Australia and the countries of origin	Managers of Australian Firms with operations in the Greater China region	Quantitative	Self-administered questionnaire survey	Australian firms listed in the Worldwide Directory of Dun and Bradstreet
Mustafa and Chen (2010)	How immigrant entrepreneurs' networks evolve over time	Immigrant enterprises based in Malaysia and Singapore but with significant operations in India and Oman	Qualitative	Multiple-case-study	Sample selection criteria given but no description of how they were selected
Tabor and Milfont (2013)	How participation in a migration forum facilitate the process of migration	Migrants to New Zealand	Qualitative	Qualitative corpus of publicly viewable posts to the three online forums	Posts to online forums made by migrants over a 30-day cross-sectional time frame
Boly et al. (2014)	The differences in export performance of diaspora firms compared to domestic and foreign ones	19 different countries	Quantitative	Cross-sectional survey	Firm-level data collected through the UNIDO Africa Investor Survey 2010
Fonta et al. (2015)	End-use dynamics of diaspora remittance inflows	End-users of remittances collected at money-operating facilities in Nigeria	Quantitative	Government data and survey	Simple random sampling technique. Western Union or Money Gram money transfers bank customers
Peroni et al. (2016)	The role of immigrants in creating new business initiatives in Luxembourg compared to nationals	Immigrant population in Luxembourg	Quantitative	Global Entrepreneurship Monitoring Surveys of 2013 and 2014	Random selection of immigrants from a database with email addresses
Ferguson et al. (2016)	How diasporans developed and applied social capital in host country and country of origin	Lithuanian Diaspora in Netherlands	Qualitative	Face-to-face and virtual (via Skype) interviews	Purposive sampling through offline diasporic community events and online platforms such as Facebook groups
Elo (2016)	Types and determinants of diaspora entrepreneurship	What makes diasporans become entrepreneurs in Uzbekistan	Qualitative	Combining case study and ethnographic methods	Purposive sampling using snowballing to select diasporans who are entrepreneurs

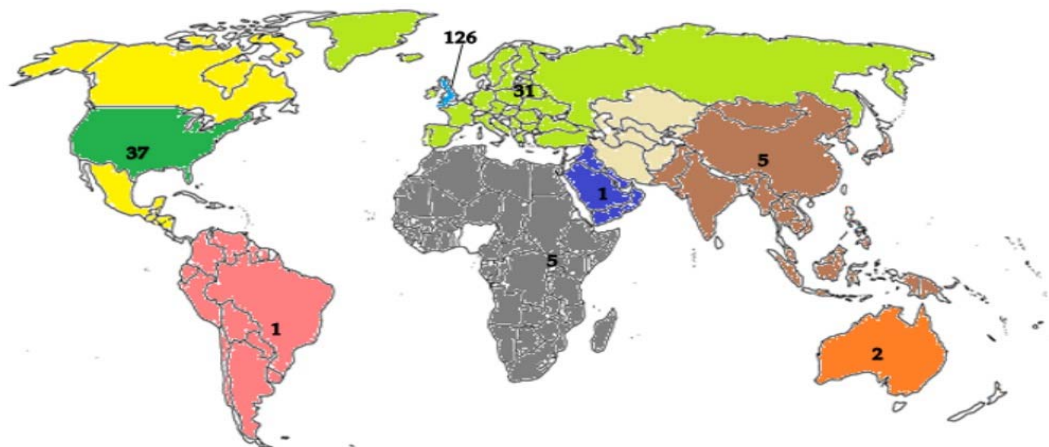
Secondly, the method used for this study offers the opportunity of ease of data collection and analysis; timeliness of response delivery and reduced data collection cost. A survey is a practical method to capture the data and to obtain diverse perspectives of the same issue being studied (Jansen, 2010). Thirdly, the use of offline

and online surveys was influenced by the need to capture data from a heterogeneous rather than a homogeneous sample. Diversity of perspectives is relevant to studying diasporans. For example, Brubaker (2005) has criticised the collective or homogeneous view of diasporans. Similarly, Harima et al. (2016, p.393) point out that 'diaspora entrepreneurship is highly heterogeneous due to the idiosyncrasy of the people founding such businesses'. Diaspora investment also is heterogeneous and different actors initiate different modes for various ends (Elo and Riddle, 2016). Fourthly, the terms 'diaspora' and 'diasporan' are used to describe immigrants within the context being studied. Similarly, because this study has policy implications, a survey method would be easily implementable by policy-makers. There is evidence that empirical surveys from paper-and-pencil and Internet surveys can be meaningfully combined and compared to enable substantive interpretation of the overall results even in instances of unequal sample sizes (Beuckelaer and Lievens, 2009).

Research can be a snapshot taken at a particular time e.g. cross-sectional or a series of snapshots, or a representation of events over a given period i.e. longitudinal (Saunders et al., 2009). The offline and online surveys were carried out for this study to ensure a balanced trade-off between the opportunities a survey research offers in achieving the research aim and academic rigour. A mixed-mode survey helped in obtaining the perspectives of a range of individuals of diverse sociodemographic

characteristics and across locations. The location and number of respondents are shown below.

**Figure 6.2: Location and number of respondents**



#### **6.4.1 The offline survey**

After the ethical approval process was complete in June 2014, an offline data collection was carried out in the same month. Table 6.2 shows the data collection phases for this study. The first phase of the data collection was at a diaspora conference in June 14 – 15, 2014 tagged, ‘The Enterprising Nigerian in the Diaspora: Making an Impact’. The conference hosted Nigerian delegates from around the U.K. A total of 100 questionnaires were distributed at the opening ceremony of the conference. By the second day, 61 completed questionnaires were received; 18 questionnaires were returned unanswered while 21 were not returned. A total of 57

questionnaires were used for the first analysis because 4 out of the 61 questionnaires received were not properly filled and could not be used for the analysis. The first analysis showed that there were more student respondents than professionals and more data was needed to be able to analyse the resources generator items.

**Table 6.2: The data collection phases**

	Sample Size	
Phase 1	57	Offline (pen and paper) survey
Phase 2	117	Web-based survey
Phase 3	34	Web-based survey

#### **6.4.2 Web-based survey**

The use of E-survey data collection can be carried out as a point-of-contact survey, an email survey or a web-based survey. In a point-of-contact survey, the respondent completes an e-survey on a computer provided by the researcher. The Email based survey is sent as an attachment using electronic mail applications over the Internet or corporate intranets. In Web-based surveys the survey is directly connected to a database where all completed survey data is categorised (Jansen et al., 2007). For Web-based surveys, copyrighted software applications such as QUIS, Survey Pro, Survey Said, Zoomerang and SurveyMonkey, helps to eliminate manual construction and administrative challenges. However, they must be integrated with the necessary 'push' to create the 'pull' effect to bring people to the survey (Andrews

et al., 2003). This study made use of SurveyMonkey a popular platform for online surveys known for being a secured platform with features such phone and email support, easy data export and sync with analytical software like SPSS and the collection of both closed and open-ended questions. The SurveyMonkey feature that allows only one response per computer helped to prevent repeat survey respondents.

An electronic survey is defined as, 'one in which a computer plays a major role in both the delivery of a survey to potential respondents and the collection of survey data from actual respondents' (Jansen et al., 2007 p.2). One of the advantages of an E-survey over traditional survey research is that it allows researchers to gain access to groups and individuals who would share specific interests, attitudes and beliefs about an issue, problem or conviction. Also, considering the reach and popularity of the internet, it is a cost-effective way to reach a large audience breaking the barriers of distance (Wright, 2005). It is believed that 'the internet could be just such a finely meshed tool, constituting an appropriate research site for advancing the study and comprehension of migrant networks and influence abroad, and adding to more fertile conceptions of diaspora and transnationalism' (Kissau and Hunger 2010, p.246). Other advantages include: a high turnaround time (quick delivery and easy return, use of multiple question formats, ease of ensuring confidentiality, provision of customised delivery and direct capture in the database. The disadvantages

include: the potential for technology glitches, a decreased return rate, threat to validity and potential for bias in sample (Jansen et al., 2007).

The internet is a means of carrying out a study among diasporans because the online activities of migrants enhance their diaspora identity (Kissau and Hunger, 2010).

The online presence of Nigerian diasporans in diaspora groups is also a form of diaspora identity and the Internet survey offered an effective means of reaching to the online diaspora group members. The study of the online diaspora population has also been carried out by other studies studying diasporans (e.g. Tabor and Milfont, 2013; Ferguson et al., 2016). The web-based survey was carried out over a period of 6 months between November 2014 and April 2015. Before the survey went live, links of the preview version were piloted to make sure the survey functioned properly and to minimise technological risks. A total of 117 respondents took part in the phase 2. The analysis at the end of phase 2 was done using the sample size (n=174) and the findings were presented as a paper at a conference. For the third phase, reminder emails and Facebook messages were sent to previously contacted respondents on 1st February 2015 and the third phase collection ended on 30th April 2015. A further 34 responses were collected during the period, making a total sample size of (n=208).

### **6.4.3 Sampling strategies of the study**

The sampling strategy adopted for this study is purposive sampling. The aim was to pick a wide range of cases to get variation on dimensions of interest (Patton, 1990). The sampling technique adopted in a research can be probability (representative sampling) or non-probability (judgemental sampling). In probability or representative sampling, the probability or chance of each case being selected is equal. The random selection from large samples supports making of generalisations from a statistically representative sample. However, in non-probability sampling, the probability of each case being selected from the total population is unknown. This sampling technique however allows the use of a researcher's judgement and is useful when there is need to select cases that are particularly informative. The logic on which selection strategy is based should be dependent on the research questions and research objectives (Saunders et al., 2009). The maximum variation or diversity and snowball sampling strategies were adopted for the study. Diversity sampling which is a strategy for capturing and describing themes that cut across diversity was adopted for this study. It takes particular interest in the patterns that emerge from great diversity. Diversity of sampling is necessary because the dimensions that classify diasporans and diaspora entrepreneurship is highly heterogeneous (Harima et al., 2016) and only partially understood (Elo, 2015). The diversity of the sample yields detailed and high-quality case descriptions. Being a non-probability sampling

technique, the aim is not to generalise findings to all people or groups but to look out for information that explains variations and patterns within variations. Sometimes, the use of purposive sampling involves more than one approach. Sampling could involve identifying initial contacts and then using those contacts to broaden out through snowballing (Bryman and Bell, 2015). Snowball or chain sampling uses key informants for locating information rich cases. The process began by the researcher asking the key informant about other group members or colleagues that could be interviewed. The key informants comprised of online group administrators, well-known diasporans within the diaspora groups/community and the researcher's contacts in professional groups. Based on the initial recommendation, a chain of recommended informants is accumulated. The socio-demographic dimensions of interest were age, gender and occupation (OECD, 2015a) and migration status (Mohan, 2002; Mohan and Zack-Williams, 2002). At the end of each collection phase, the data was explored to identify patterns and changes in patterns. The data collection stopped when no new changes in characteristics of participants were identified. Further breakdown of the characteristics of the respondents will be presented in the next chapter.

#### **6.4.4 Identifying the respondents**

Responses were collected using various methods namely: Facebook, web collector and email collector. The Facebook and the web collectors were used specifically for



diasporans in groups on LinkedIn and Facebook. The respondents were selected based on membership of a Nigerian online diaspora group or professional association and on the identification of such a respondent as a Nigerian in diaspora. For the Facebook collector, the collection was carried out in two ways. Firstly, Facebook messages introducing the survey were first sent to identified leaders and then to participants identified from Nigerians in diaspora (NIDO) groups and other association pages on Facebook. Before sending the mail, the researcher ascertains whether a diaspora group member is a potential respondent i.e. if respondent is truly a Nigerian in diaspora, through their online profiles and through their connections. This is also reconfirmed by the diasporan's response to the invitation message sent. Those who belong to an online diaspora group but whose location could not be ascertained were ignored. The survey link that was sent to potential respondents is shown in Figure 6.3.

**Figure 6.3: Survey link thumbnail**

<https://www.surveymonkey.com/s/R8HYHH2>

Regards,

Mofoluke Akiode

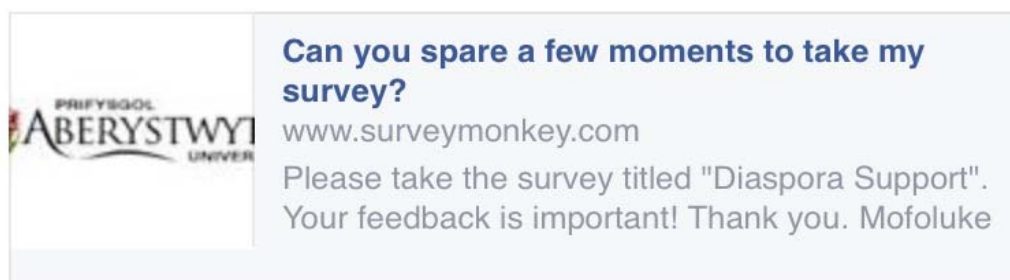
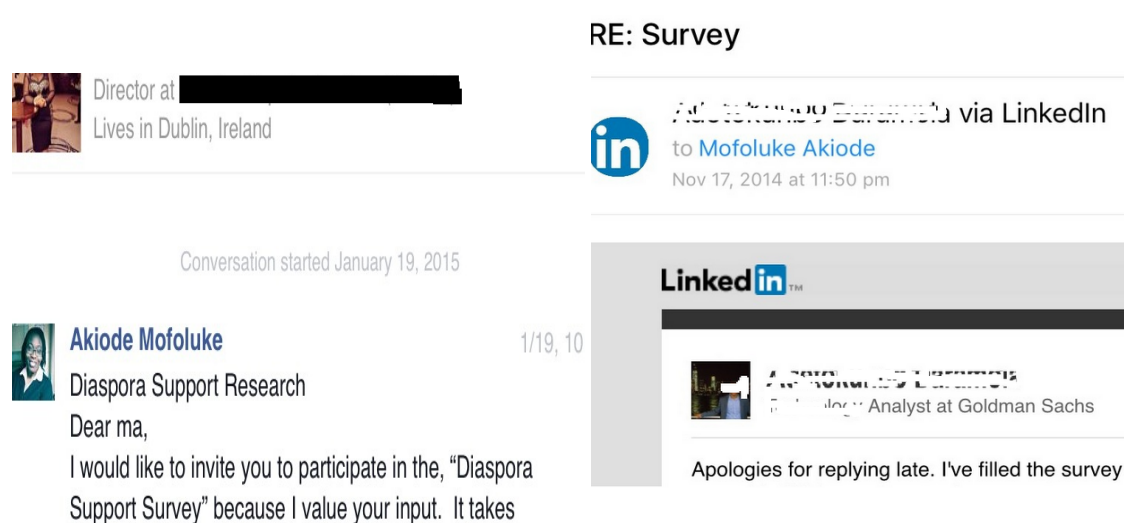


Figure 6.4 shows sample Facebook and LinkedIn messages. The process of identifying suitable participants and contacting them meant spending considerable amount of time online. However, this helped in ensuring that only the target audience completed the survey.

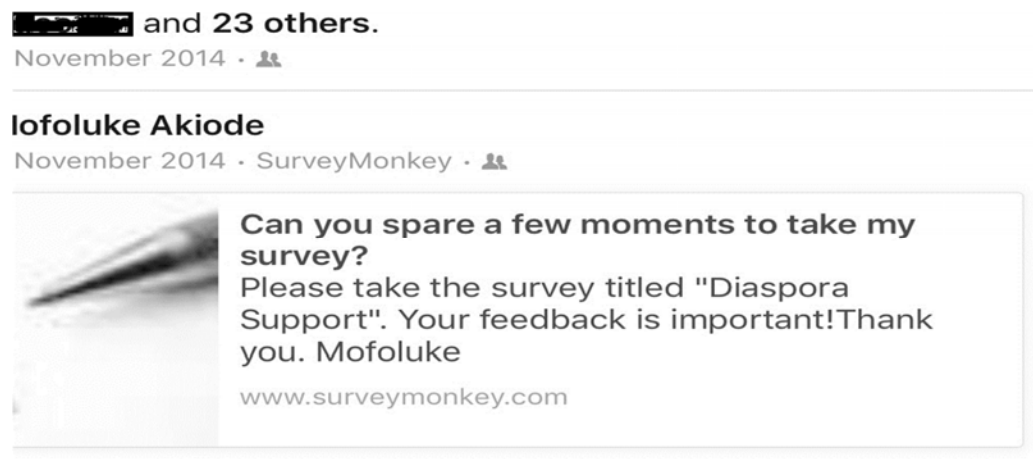
**Figure 6.4: Sample Facebook and LinkedIn messages**



Some of the initial Facebook contacts also helped in identifying other respondents by tagging them along with the researcher. A sample of the Facebook tag is shown in Figure 6.5. The researcher was then able to follow up by sending reminders to those identified through those contacts. For the email collector, an introductory email informing participants about the research and about the researcher was sent to the potential participants who could then decide against taking the survey if they

wished to do so. The mode was used to reach out to Nigerian expatriates in some multinational organisations.

**Figure 6.5: Sample Facebook tags**



Generalisation from a hidden population was not possible because of the inability to obtain a probabilistic sample of Nigerian diasporans from the migrant population. Hidden populations are those 'for which there exists no sampling frame or for which constructing a sampling frame would be infeasible because of the population's small size relative to the general population' (Heckathorn, 1997; Wejnert and Heckathorn, 2008). Measures were taken to ensure that the sample selection reflects the representativeness of diasporans from the sample source rather than a randomised sample selection. For example, the researcher ensured that a respondent is indeed a diasporan by establishing that the respondent identifies as a Nigerian in diaspora. Baltar and Icart (2013) argue that even though the use of the internet and the

snowball sampling technique may present selection bias, when used together, they constitute the best method to reach hidden populations. Similarly, to overcome the sampling challenge, researchers can adopt the traditional approach to sampling. This involves 'constructing a partial sampling frame by identifying unhidden venues or institutions through which members of the target population can be found e.g. researchers can travel to selected venues at the appropriate times and interview a representative sample of those in attendance' (Wejnert and Heckathorn, 2008, p.106). However, the potential for bias due to the inability to carry out randomised selection of the sample remains. This makes it necessary to interpret the research findings with caution. In relation to the research paradigm, this study does not dogmatically claim an overall truth but the unveiling of a previously unknown phenomenon.

Every research should seek a trade-off between 'the scientific' and 'the truth' especially in cases where the former is impracticable. Hoover and Perez (2000) point out that scientific results are valued because they are difficult to obtain yet truth remains the truth even though it may be viewed through different filters. The tendency is for those who value robustness rather than truth to reject the pictures from other filters. However, the important criteria are whether such lens and filters are the ones that would reveal the aspect of truth that interest us and bring into focus what would otherwise have remained hidden. Furthermore, Babone (2015) argued

that even when a truly unbiased sample survey data is obtained, it still represents an incomplete and biased aspects of the research subjects' lives. As such, the observed relationships among variables show only the tip of the iceberg and the task of interpretive research is to surmise what lies unobserved beneath. In order to do this, the researcher adopts the process of triangulation. Knowledge in the post-positivist tradition places emphasis on external 'guardians' of objectivity, from the critical community such as editors, referees, and professional peers (Guba and Lincoln, 1994). To minimise bias in this study, in addition to caution made with the interpretation of the results, generalisations of the findings were made in relation to theory. The researcher's exploration sought to know whether the findings 'fit' with pre-existing knowledge. Triangulation was also done using historical narrative of the data collection period and through 'reality check' i.e. making common sense plausibility of observations and considering their implications on individual behaviour and social policy (Babone, 2015).

#### **6.4.5 Data instrument**

For the primary data collection, the instrument used to capture the data is the questionnaire. The questionnaire survey method was adopted because of the interest in the perspectives of a large and diverse audience. The questionnaire consisted of structured questions and the means to collect open-ended questions was also nested within the same instrument. The respondents could explain their

answers and this helped in drawing meanings from the data during the analysis and interpretation stage; than would have been possible using only the structured questionnaire method. Construct validity ensures that a measuring instrument is designed to measure the intended construct and nothing more. One of the key issues of numerically measuring variables is the need for precision of the data instrument. The ability to specify the variables precisely is crucial for others to be able to replicate the findings. For example, one cannot place a number on feelings but you can talk about degrees of qualitative differences (Coolican, 2014). The first part of the questionnaire consisted of a list of 16 items representing entrepreneurial activities which were adapted to a Resource Generator (RG) Questionnaire. At the individual level, the resource generator is recommended as a useful tool to overcome the difficulty of making standardised measure because resource access may vary by culture and context (Foster and Maas, 2014). The RG asks about diasporans access to a fixed list of resources, each representing a vivid, concrete set of activities. It is suggested that the items in a RG should result from systematic and theoretical considerations (Van Der Gaag and Snijders, 2005). The second part of the questionnaire consisted of questions inquiring about the attitudes and preferences for transnational entrepreneurial activities. The attitudinal variables were constructed using a Likert-type attitude scale of 1-5 (from strongly agree, to strongly disagree) and categorical questions (Yes, No and Maybe). The preference variables

were constructed as a series of items reflecting the strength of relational ties (Granovetter, 1973; Lancee, 2012) ranging from close ties to distant ties e.g. family, intra-ethnic friendship (friends from same ethnic group, FSEG), inter-ethnic friendship (friends from different ethnic group, FDEG) and acquaintances (friend of a friend, FOAF).

The questionnaire was developed over a period of three months (March and May 2014). After the questionnaire was prepared, a pilot test was carried by administering the questionnaire to 10 people, selected on convenience basis. They were people who understood the context of the research. They were asked to comment after completion, about how long it took to complete the survey and the overall ease or difficulty in answering the questions. They were also asked to point out any wording or phrasing problems and double meaning questions they notice. This helped in identifying questions that needed changes. For example, the following changes were deemed necessary based on the pilot test feedback. Initially, the categories; 'close family' and 'extended family' were used but later changed to only 'close family' because it was observed that culturally, there are no sharp distinctions between the two categories. The rating scale 'not applicable' was also changed to 'neutral'. The questions which could be perceived as sensitive, such as the age of participants, were placed towards the end of the survey and were grouped, in order to avoid discouraging the respondents. Questions about marital

status and number of children, which were initially included in the questionnaire were removed because they were deemed sensitive and not particularly applicable to the research. Introductions were included in the sections to reassure respondents and give better understanding about the survey.

## **6.5 Data analytical tools**

The analytical methods of quantitative research are usually correlational, involving correlations or regression analysis between multiple variables or percentage summary of a single variable (Knupfer and McLellan, 1996). Beyond observing correlations however, the researcher was also interested in understanding what gave rise to the observations (Babone, 2015). The use of statistical analysis helps to ensure validity and accuracy by reducing human analytical error. The quantitative data were analysed using IBM SPSS 21.0, Latent class modelling in R and data visualisation using the network analysis programme, Pajek.

### **Non-linear principal component analysis**

For the support preferences of the respondents optimal scaling methods namely: non-linear principal component analysis, categorical regression and correspondence statistical analysis were carried out in the data analysis. The non-linear principal component analysis (NPCA) or categorical PCA is an optimal scaling method useful for the reduction of large number of categorical variables to smaller uncorrelated linear combinations or principal components and for understanding underlying



structures in variables with large matrices. Components or dimensions are the most interpretable linear combinations of multiple variables whose matrices are too large to analyse using the traditional contingency tables (chi-square test) or which are not suited for the standard PCA analysis because such variables lack numeric qualities (Linting et al., 2007). The NPCA has a basic assumption that the score and loading vectors corresponding to the largest eigenvalues contain the most useful information relating to the specific problem while the remaining ones constitute noise. Another assumption of optimal scaling techniques is that all the observations are categorical (Young, 1981).

The optimal scaling process involves quantifying variables according to their level of analysis. The aim is to realise combinations that represent the observed data as closely as possible. The method maximises the variance accounted for, among the quantified variables. An eigenvalue is a coefficient of the principal components, it shows the direction with the greatest variation and it represents the variance accounted for by each principal component. The variance accounted for (VAF) measures the quality of the approximation, it is the overall measure of differences in the variables explained by the principal components. The variance accounted for is the sum of squared component loadings of the principal components. The component loadings represent correlations between the quantified variables and the principal components (Kemalbay and Korkmazoğlu, 2014). One of the limitations of

this exploratory analysis is that the researcher is heavily involved in the analysis process and the optimal quantification has been criticised for capitalising on chance (Linting et al., 2007). An analysis of contingency tables involves examining row and column profiles and testing for independence via the chi-square statistic. However, when the profiles are quite large, the traditional chi-square test does not reveal the dependence structure. The CATPCA using nominal optimal scaling was carried out. In nominal optimal scaling, only information in the observed variable is preserved and not the order of the variables. The grouping of objects in categories is optimally scaled giving a straight line (vector) through the origin category with a better fit (Meulman and Heiser, 2004).

### **Common method variance (CMV)**

Common method variance (CMV) may be a concern when self-report questionnaires are used to collect data at the same time from the same participants especially when both the dependent and explanatory variables are perceptual measures derived from the same respondents (Chang et al., 2010). To address CMV, it is advised that if possible, the dependent variable and the independent variable should be constructed using information from different sources. The order of the questions should also be mixed using different scale types. The complicated specification of the regression model also helps to guide against CMV because respondents are 'unlikely to be guided by a cognitive map that includes difficult-to-visualize

interaction and non-linear effects'. Therefore, a post hoc Harman one-factor analysis is often used to check whether variance in the data can be largely attributed to a single factor (Chang et al., 2010 pp.179). In a one-factor test, instead of extracting components using eigenvalues, the number of components to extract is constrained to one component using no rotation. A variance above 50% suggests that the majority of the variance is explained by a single component. Therefore, it is expected that a single component should not explain more than 50% of the variance.

### **Regression analysis**

The categorical regression analysis (CATREG) was carried out to check for the significance of the bi-variate correlations. CATREG is an extension of the principles of classic linear regression applied to categorical data. It offers flexibility by simultaneously scaling nominal, ordinal and numerical variables (Sterian and Soutsas, 2005). The optimal scaling is achieved by quantifying the categorical variables, in order to reach the optimal regression model coefficients (Çilana and Cana, 2014).

### **Correspondence analysis**

Correspondence analysis (CA) was carried out to observe the underlying relationship between pairs of categorical variables and to interpret the relationships between them. CA is applied to categorical data and is similar to the NPCA, the goal of the analysis is to explain the most inertia (variance), which demonstrates the

relationship between the variables based on the approximate distance of one point to one another on the biplot (Meulman and Heiser, 2004). It is also useful for revealing relationships that would not be identifiable other methods. The dimensions in a CA are comparable to the principal components. The chi-square statistic is applied in CA to test the variance and a high chi-square indicates that there is a correspondence between the row and column responses. In CA, the total inertial represents the total variance explained by the model (Doey and Kurta, 2011).

### **Latent class modelling**

For the resource generator questions, the analysis of the resource structure was carried out using the network visualisation software Pajek. The latent class modelling (LCM) and latent class regression were carried out using the 'poLCA' function in the R package (Linzer and Lewis, 2011). A latent class model fits the manifest variables or observed categorical variables with an unobserved latent categorical variable. It is used to identify latent classes based on item response probabilities and is a useful tool for identifying latent categories or subgroups (Linzer and Lewis, 2011). Latent class modelling helps to assess extent of relationships expressed as a measurement model of patterns of item response probabilities and to assess the intensity of the relationships as a structural model of the latent class probabilities. It is also known as latent structure analysis and is a technique based on the probabilistic clustering among observations in a multi-way

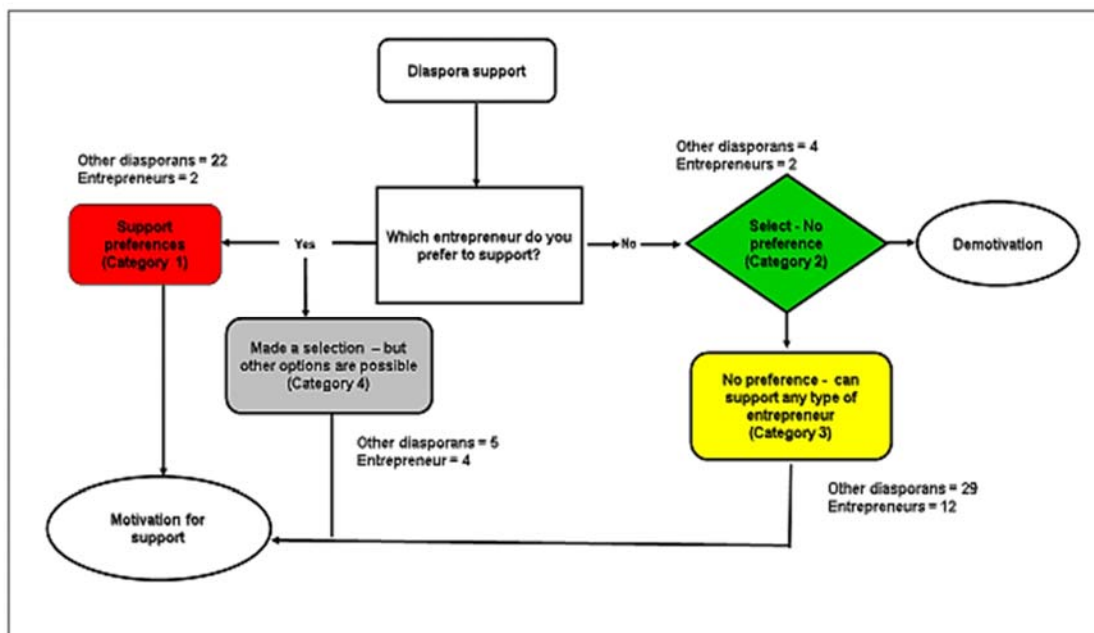
tables of qualitative/categorical variables (Vermunt and Magidson, 2002). The latent class regression was carried out to determine factors that predict the likelihood of diasporans' access to resources according to the patterns identified in the allocation table. The command for the latent class regression was specified as: `cbind (dv1, dv2, dv3...) ~covariate`; where `cbind` is the function that combines the matrix or data frame by columns.

### **Thematic analysis**

In analysing respondents' comments, a thematic analysis was carried out (Krippendorff, 2004). Thematic analysis is used for identifying, analysing and reporting patterns within a data set e.g. a range of texts, interviews or focus groups (Braun and Clarke, 2009). For the comments, a thematic analysis of the open-ended data was carried out by human-colour coding on Microsoft word. The codes were based on the response themes and the thematic analysis involved sorting, interpreting the meaning of themes and giving names to themes. The researcher was able to draw meanings from themes identified and this aided the interpreting the closed ended questions. The flowchart presented in Figure 6.6 shows the analysis categories. The diasporans who commented about their support preference numbered 24. These were diasporans who made a choice out of the four options and went ahead to give explanations for their choices. These responses were coded red and numbered '1' in the analysis sheet. The No preference category comprised

diasporans who would not support any entrepreneur because they do not want to or those who feel it is not applicable to them. There were 6 responses in this category and it was coded green and numbered '2'. During the analysis, a third category emerged from the No preference category. These were responses from diasporans who would support any entrepreneur. They selected the No preference option because the other options do not accurately reflect their positions. Some reported that they are non-biased when it comes to business issues. This group of diasporans were numbered 41 and their responses were colour coded with yellow and numbered '3' in the analysis sheet.

**Figure 6.6: Analysis flowchart**



During the second stage analysis, a fourth meaningful category was noticed within the red group. These were diasporans who pointed out that the option they have

selected was their initial choice but they may be willing to make other choices later. There were 9 diasporans in this category and their entries were colour-coded with grey and numbered as '4' in the analysis sheet. The comments from the respondents as well information from reliable secondary sources were then used to support the narrative at the writing up stage.

## **6.6 Ethical considerations**

Ethical principles include considering whether through the research, there is any harm to the participants. The consent of participants should be obtained and their privacy should not be invaded. In addition, no form of deception should be involved (Bryman and Bell, 2015). For example, there are ethical concerns about the use of social media forum posts without the consent (Tabor and Milfont, 2013). For this study, the respondents were informed of the purpose of the study and could decide whether to participate or not. This helped to overcome the challenge of online research where data is collected without consent. Other aspects of ethical principles which were considered in this study include, ways of preventing harm to participants by ensuring confidentiality and anonymity of records. The online platform used was selected because of data security. The researcher ensured the research data is kept safe and the findings were reported in ways that protect the identity of all the respondents.

## **Conclusion**

This chapter discussed the methodological approach of this study. The research process was explained and methodological choices were justified. The chapter also discussed the methods of data collection and analysis as well as the ethical considerations of this study. In the next chapter the data analysis and the interpretation of results are presented.



## **Chapter 7**

### **EMPIRICAL DATA ANALYSIS AND RESULTS**

#### **7.1 Introduction**

This chapter presents the data analysis of the empirical study which helps to answer the research questions. The research questions are centred around understanding diasporans perceptions about and motivations for transnational entrepreneurial activities. The research also seeks to understand how the institutional context shapes the possibilities for Nigerian diasporans' participation in transnational entrepreneurial activities. The analysis considers the factors that influence diasporans' predisposition toward financial investments and business linkages. The resource capacity of diasporans i.e. factors that influence diasporans' ownership of resources, access to resources held by others and activities of diasporans are also considered. Factors that influence diasporans' willingness to invest in the country of origin and the extent to which diasporans' motivation for entrepreneurial activities are influenced by institutional factors are also analysed. Each part begins with the data descriptions followed by the statistical analyses.

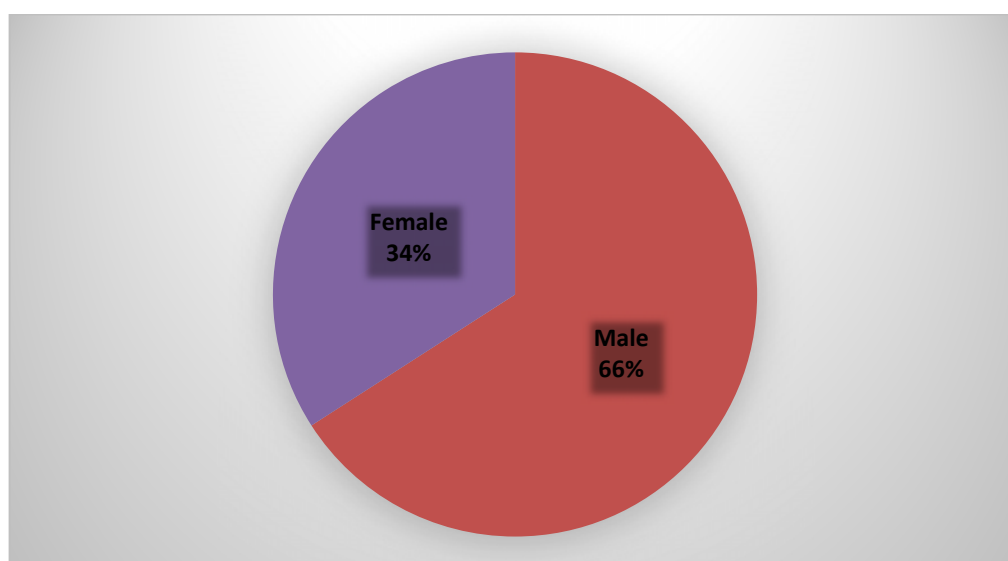
#### **7.2 Descriptive data of the diaspora survey**

The descriptive statistics of the diaspora survey research are presented in this section. These provide summaries about the characteristics of the respondents studied and form the basis of the subsequent analysis.

### 7.2.1 Age and gender

Age and gender are examples of personal characteristics that influence the tendency towards homophilous interactions (McPherson et al., 2001). Willingness to give could also be influenced by age and gender (Sargeant et al., 2005). Out of the total sample of respondents (n=208), there were more males (66%) than females (34%) in the survey sample. This information is presented in Figure 7.1. The OECD data in Table 2.1 also show that there are more males (56%) than females (44%) among the Nigerian emigrant population.

**Figure 7.1: Gender of respondents**

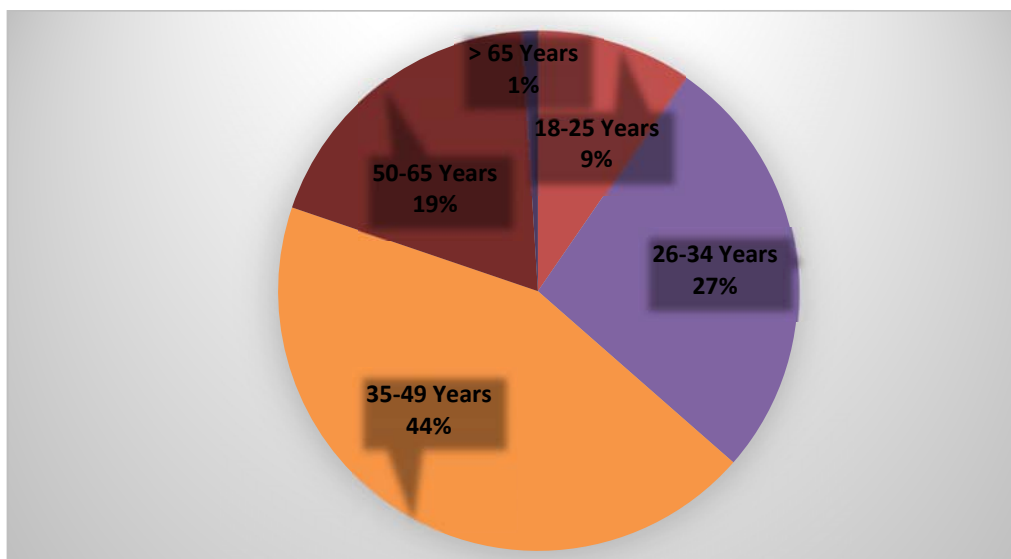


Survey research (2014)

The age categories of the respondents presented in Figure 7.2 shows that there are more respondents in the 26-34 age group (27%) and the 35-49 age category (44%)

compared to the other categories. The OECD data in Table (2.1) show that the highest age category of the Nigerian emigrant population is between 25-64 years.

**Figure 7.2: Age of respondents**



Survey research (2014)

**Table 7.1: Age and gender cross tabulation**

			Male	Female
Age	18-25 Years	Count	11	9
		% within Age	55%	45%
	26-34 Years	Count	33	23
		% within Age	59%	41%
	35-49 Years	Count	62	29
		% within Age	68%	32%
	50-65 Years	Count	29	10
		% within Age	74%	26%
	> 65 Years	Count	2	0
		% within Age	100%	0%

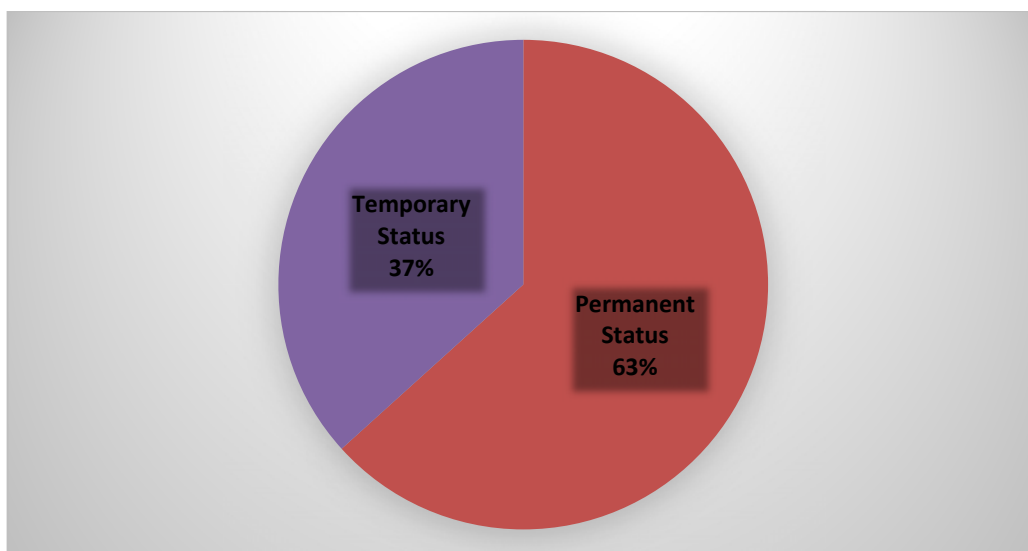
Survey research (2014)

The data in Table 7.1 show that there are more respondents aged between 35-49 years who are male (68%) than female (32%). The percentage of male respondents between 26-34 and 50-65 years is also higher than females. This is consistent with the OECD data in (Table 2.1) where the percentage of males in these categories were also higher compared to females.

### 7.2.2 Migration status

The legal status of diasporans is believed to be crucial in mobilising support from the diaspora: those who have residency status are in better position to organise support for others (Mohan, 2002; Mohan and Zack-Williams, 2002). As shown in Figure 7.3, there are more respondents with permanent status (63%) than temporary status (37%).

**Figure 7.3: Immigration status of respondents**



Survey research (2014)

According to the data presented in Table 7.2 there are more respondents with permanent migrant status among the respondents aged 35-49 years (73%) compared to those with temporary migration status (27%).

**Table 7.2: Age and immigration status cross tabulation**

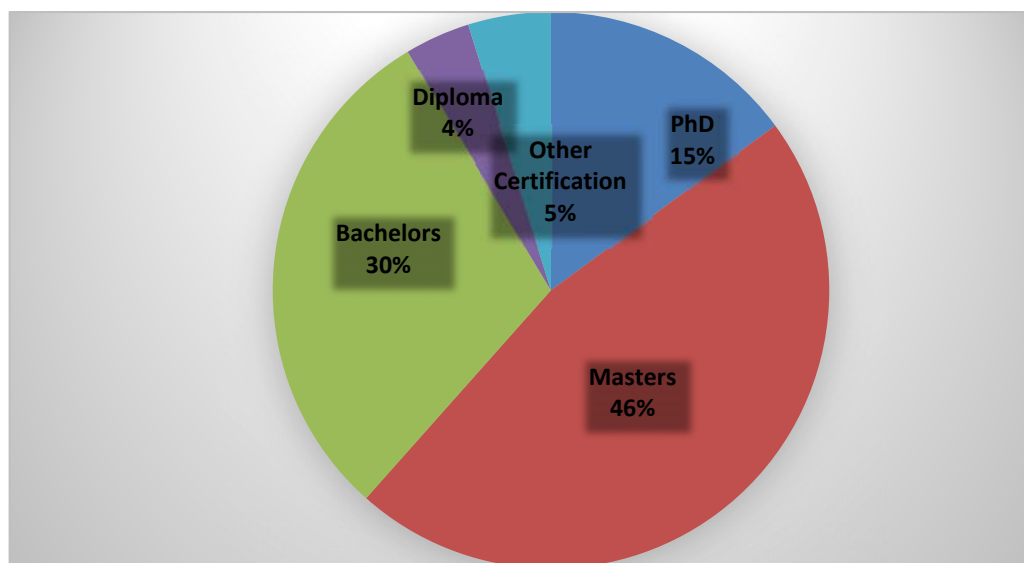
Age		Permanent	Temporary
18-25 Years	Count	4	15
	% within Age	21%	79%
26-34 Years	Count	25	31
	% within Age	45%	55%
35-49 Years	Count	66	25
	% within Age	73%	27%
50-65 Years	Count	34	5
	% within Age	87%	13%
> 65 Years	Count	2	0
	% within Age	100%	0%

Survey research (2014)

### 7.2.3 Education

Homophily based on education rather than kinship or shared native place influenced the relationship between Taiwan and Silicon Valley and China's high-tech sector (Alan and Hsu, 2004). The Nigerian diaspora is highly skilled and well educated (Reynolds, 2004; Amagoh and Rahman, 2014). This is also revealed in the data as presented in Figure 7.4 which show that more respondents have masters (46%) and bachelor's degrees (30%).

**Figure 7.4: Education of respondents**



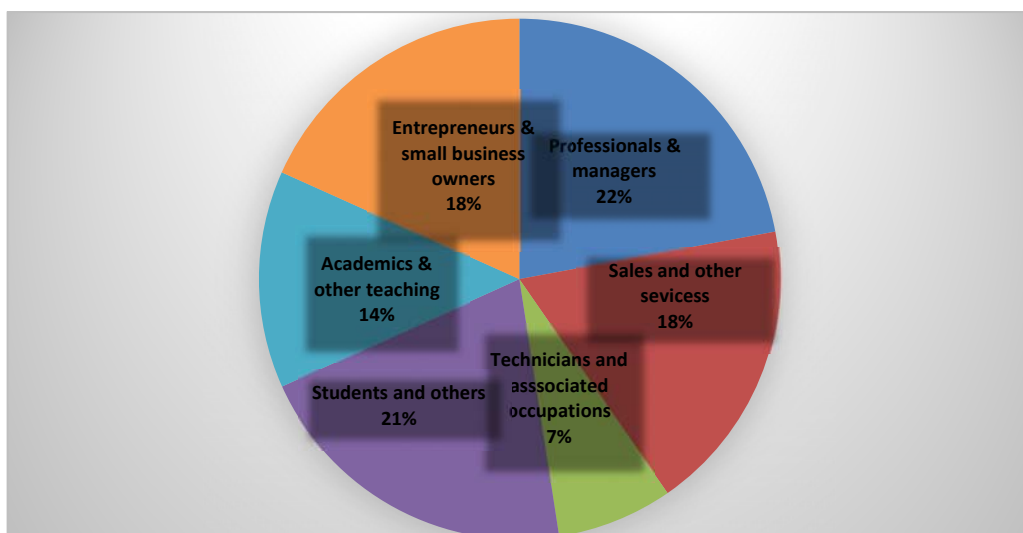
Survey research (2014)

Sentiments of diaspora investors are believed to vary according to education (Elo and Riddle, 2016). In the Nigerian context, it is believed that western education has lessened the influence of extended family on its members (Abimbola et al., 2011).

#### **7.2.4 Occupation**

Occupation is another characteristic of homophily, people tend to choose friends who share similarities such as occupation. Figure 7.5 presents the data on the occupation of the respondents. There are more professionals and managers (22%) as well as students (21%). Table 7.3 shows that more of the respondents who are professionals have either a master's (52%) or a bachelor's degree (33%), except academics and other teaching occupations where there were more respondents with a PhD (53%) or a master's degree (39%).

**Figure 7.5: Occupation of respondents**



Survey research (2014)

There were also more entrepreneurs and business owners who have master's degrees (32%) and bachelor's degrees (40%). These results support the view that Nigeria business owners are a relatively highly educated group (Fadahunsi et al., 2000).

**Table 7.3: Education and occupation cross tabulation**

	Professionals & managers	Sales and other services	Technicians and associated occupations	Students and others	Academics & other teaching	Entrepreneurs & small business owners
Number of respondents	46	38	15	43	28	38
PhD	7%	3%	0%	16%	53%	13%
Masters	52%	44%	66%	54%	39%	32%
Bachelors	33%	42%	27%	26%	4%	40%
Diploma	4%	8%	0%	2%	0%	5%
Other Certification	4%	3%	7%	2%	4%	10%

Survey research (2014)

### **7.3 Factors that influence diasporans' predisposition toward financial investments and business linkages**

Resource constraints make it necessary for SMEs to mobilise those critical resources that they do not possess from external sources. Through diaspora networks, SMEs can access resources such as finance, information, human capital and other resources. It is believed that diasporans may possess some of these resources (Terjesen and Elam, 2009). Diasporans can also help SMEs identify business opportunities, serve as advisors or help arrange business contracts (Nanda and Khanna, 2010). Some diasporans would act due to patriotic sentiments (Elo and Riddle, 2016). This research question sought to know the factors that influence the components of support preferences based on the mind-set of the respondents.

The data used for the analysis consisted of five variables exploring the type of Nigerian entrepreneur the respondents would prefer to support in five areas, namely personal loan, equity investment, and gift giving, and with information exchange support, including provision of information about international trading opportunities and through introduction to a business partner. The measurement scales were constructed as a series of items reflecting the strength of relationships to a diasporan. These are arranged in a spectrum ranging from 'close ties' to 'weak ties', comprising family, intra-ethnic friendship (friends from same ethnic group, or



'FSEG'), inter-ethnic friendship (friends from different ethnic group, or 'FDEG'), acquaintances (friend of a friend, or 'FOAF') and a 'no preference' option.

### 7.3.1 Support preference variables

The responses presented in Table 7.4 show that more respondents would support an SME owned or managed by a family member. However, more respondents would give gift (54%) than make equity investment (43%). More respondents would also support both classes of friends with information (15% and 17% respectively) compared to friend of friends (14%). The results suggest choice homophily based on kinship preferences (Ruef, 2010); and suggest that the linkage between the diaspora and entrepreneurship is more focussed around kinship (Mohan and Zack-Williams, 2002; Mohan, 2006).

**Table 7.4: Support preference variables**

Which type of Nigerian entrepreneur would you prefer to:					
	Family member	Friend from same ethnic group	Friend from different ethnic group	Friend of a friend	No preference
1. Introduce to a prospective business partner in your country of residence	47%	12%	13%	11%	17%
2. Support by providing information about international trading opportunities	46%	15%	17%	14%	8%
3. Support financially by giving a personal loan	50%	12%	9%	11%	18%
4. Support financially by giving a gift	54%	11%	12%	10%	13%
5. Make equity investment in their entrepreneurial business	43%	12%	13%	14%	18%

Survey research (2014)

### 7.3.2 Trust and reciprocity variables

The strength of ties reflects the duration of a relationship, it is also function of interaction frequency, duration of relationship, emotional intensity, and reciprocity (Ruef, 2010; Roberts and Dunbar, 2011; Chollet et al., 2014). Four questions about trust and reciprocity were constructed using a Likert-type attitude scale of 1-5 (from strongly agree, to strongly disagree) are presented in Table 7.5. Based on the results, more diasporans are neutral and disagree that it is better to do business with family members and friends. More diasporans also agree that care is needed when dealing with Nigerians. The response to the question about reciprocity shows that more would be willing to help an entrepreneur who has been of help in the past.

**Table 7.5: Trust and reciprocity variables**

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
6. It is better to do business with family members because they can be trusted	5%	17%	32%	30%	16%
7. It is better to do business with friends because they can be trusted	3%	17%	26%	38%	16%
8. Generally speaking, you can't be too careful in dealing with Nigerians	32%	26%	18%	19%	5%
9. I would be willing to help any entrepreneur who has helped me in the past	32%	36%	16%	10%	6%

Survey research (2014)

### 7.3.3 Conditions for support

Two questions about the conditions under which diasporans would be willing to offer support were measured using the scales (yes, no and maybe) and are presented

in Table 7.6. When the cost is high, people tend to forgo more profitable exchanges with unknown partners in favour of transacting with partners who are well known and have demonstrated their trustworthiness in previous transactions (Cook and Rice, 2003). Also, entrepreneurial businesses which are experienced and visible are more likely to be viewed as a potential tie for business (Hite and Hesterly, 2001).

**Table 7.6: Conditional variables**

	Yes	No	Maybe
10. Would you be willing to help an entrepreneur because you have known him for long?	62%	13%	26%
11. Is the number of years of business experience of an entrepreneur a factor you would consider before investing in a business?	61%	19%	21%

Survey research (2014)

The results show that more respondents would support a business based on length of relationship with the entrepreneur (62%) and based on their business experience (61%). Strong ties relationships are usually of long duration and with giving and receiving of benefits (Roberts and Dunbar, 2011).

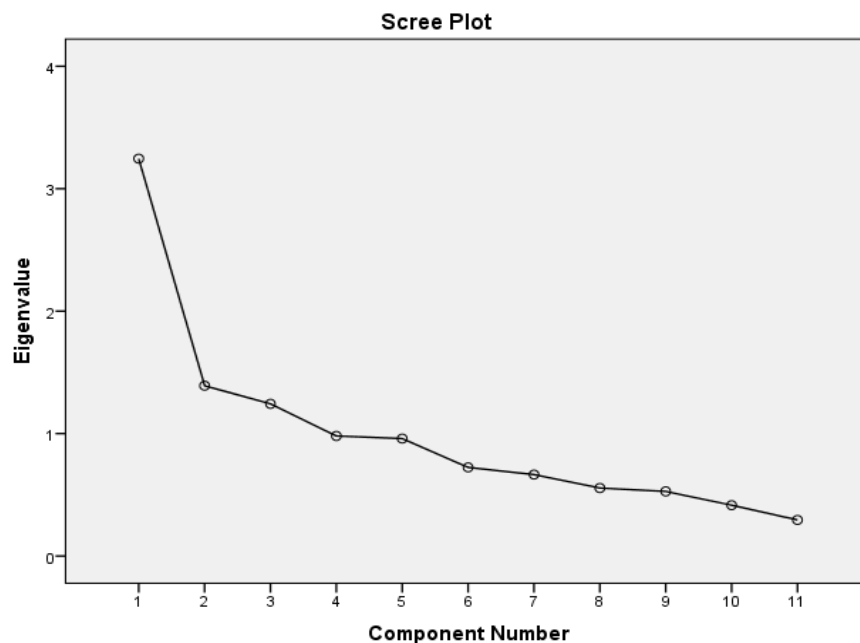
### 7.3.4 Finding the principal components

There are two rules of thumb to decide the number of components to specify in a categorical principal component analysis (CATPCA). The first is to consider variables with eigenvalues over 1 and the other is to plot the eigenvalues and use the scree test to determine the elbow (Fabrigar et al., 1999). The elbow in a nonlinear PCA scree plot is based on eigenvalues of the correlation matrix of the quantified

variables (Linting et al., 2007). Figure 7.6 shows the elbow point at 3 (point after which the remaining eigenvalues becomes less than 1).

A post hoc Harman one-factor test or common method variance (CMV) analysis was carried out to check whether variance in the data can be largely attributed to a single factor. The test was performed on the 11 variables using the sample (n=208) to check for spurious correlations. The CVM test result shows that one component accounts for only 29.5% (less than 50%) of the variance. The CATPCA model summary of the data is presented in Table 7.7.

**Figure 7.6: Components scree plot**



The model summary shows that three components accounts for 57% variance of the 11 variables and with a reliability coefficient of .93. Component 1 accounts for 31% of the total variance and with a reliability coefficient of .78.

**Table 7.7: Principal component model summary**

Component	Cronbach's Alpha	Variance accounted for	
		Total (Eigenvalue)	% of Variance
1	.78	3.45	31
2	.37	1.50	14
3	.24	1.27	12
Total	.93	6.22	57

The extracted components presented in Table 7.8 show that, variables 10 and 11 did not load well in component 1 compared to other variables which had a component load  $> .1$ . In component 1, variables (1-5) loaded well with positive component loads  $> .6$ . The principal component is information support with component loading of .8. The remaining variables also loaded well in component 1 with component loadings  $> .1$  except for variables 10 and 11. In component 2, variables (6-10) loaded well with positive component loads  $> .1$  except variable 11. In component 3 the two previously unstable variables 10 and 11 had the highest component loadings. The component is dropped because it is the least interpretable and it has the lowest variance accounted for. Therefore, even though three principal components were specified, components 1 and 2 are the optimal components.

Informal forces such as values, attitudes towards toward entrepreneurship, cultural norms, tradition and history have impact on the entrepreneurial process (Kenney and Patton, 2005; Welter and Smallbone, 2011).

**Table 7.8: Component loadings of variables**

	Component		
	1	2	3
1. Provide information about business opportunities	0.805	-0.238	-0.028
2. Give personal loan	0.790	-0.167	-0.051
3. Make equity investment	0.786	-0.163	-0.025
4. Introduce to a prospective business partner	0.778	-0.037	-0.064
5. Give Gift	0.636	-0.281	-0.056
6. Would you be willing to help an entrepreneur because you have known him for long?	0.496	0.248	0.317
7. It is better to do business with family members because they can be trusted	0.383	0.736	-0.157
8. I would be willing to help any entrepreneur who has helped me in the past	0.309	0.186	0.282
9. It is better to do business with friends because they can be trusted	0.238	0.807	-0.156
10. Is the number of years of business experience of an entrepreneur a factor you would consider before investing in a business?	0.029	0.145	0.735
11. Generally speaking, you can't be too careful in dealing with Nigerians	-0.003	-0.049	0.701

Differences in motivation, attitude, or risk propensity distinguishes willingness to bear uncertainty (Mcmullen and Shepherd, 2006). Therefore values, attitudes and behaviours are important factors when trying to understand network relationships (Björkman and Kock, 1995). Diasporans are believed to possess attitudes towards entrepreneurship, religion, cultural institutions and family structures (Elo, 2016). The concept of homophily therefore has powerful implications on the information people receive, their decision making, the attitudes they form and the interactions they experience (McPherson et al., 2001). The proposition is that the support

preferences of diasporans which reflect the strength of ties are dependent on diasporans attitude to trust and reciprocity and by the length of relationship with an entrepreneur. Therefore, support preference variables were specified as the dependent variables while attitudinal variables were the independent variables.

H1: There is no significant relationship between support preferences and attitude towards entrepreneurial support.

### 7.3.5 Categorical regression (CATREG) and correspondence analysis

The results of the categorical regression (CATREG) analysis in Table 7.9 show the significant bivariate correlations of the transformed variables. The significant correlations in bold also correspond with the results of the correspondent analysis presented in Table 7.10.

**Table 7.9: Bi-variate correlations and significance of transformed variables**

Variables	1	2	3	4	5
6. Would you be willing to help an entrepreneur because you have known him for long?	.26*	<b>.42*</b>	<b>.45*</b>	<b>.34*</b>	<b>.32*</b>
7. It is better to do business with family members because they can be trusted	<b>.29*</b>	<b>.33*</b>	<b>.32*</b>	<b>.34*</b>	.23*
8. I would be willing to help any entrepreneur who has helped me in the past	<b>.28*</b>	.23*	.25*	.23*	.25*
9. It is better to do business with friends because they can be trusted	.25*	.25*	.23*	<b>.32*</b>	.19

CATREG sig (\*p<0.05)

The correspondence analysis (CA) applies the chi-square statistics to test the variance and examine the row and column profiles across the significant

components. A high chi-square indicates a correspondence between row and column responses.

**Table 7.10: Correspondence analysis summary**

	Chi-Square	Total Inertia	Component	Proportion of Inertia accounted for by component	Sig
<b>Information Support</b>					
It is better to do business with family members because they can be trusted	29.76	14%	1	26%	<b>.019</b>
It is better to do business with friends because they can be trusted	20.17	10%	2	28%	.213
I would be willing to help any entrepreneur who has helped me in the past	31.98	15%	2	35%	<b>.010</b>
Would you be willing to help an entrepreneur because you have known him for long?	14.18	7%	1	25%	.077
<b>Equity Investment Support</b>					
It is better to do business with family members because they can be trusted	31.83	15%	2	35%	<b>.011</b>
It is better to do business with friends because they can be trusted	18.07	9%	2	33%	.320
I would be willing to help any entrepreneur who has helped me in the past	19.86	10%	1	31%	.227
Would you be willing to help an entrepreneur because you have known him for long?	45.81	22%	1	23%	<b>.0001</b>
<b>Business Partner Support</b>					
It is better to do business with family members because they can be trusted	32.22	18%	2	29%	<b>.002</b>
It is better to do business with friends because they can be trusted	30.77	15%	1	19%	<b>.014</b>
I would be willing to help any entrepreneur who has helped me in the past	22.46	11%	1	37%	.129
Would you be willing to help an entrepreneur because you have known him for long?	25.09	12%	1	38%	<b>.002</b>

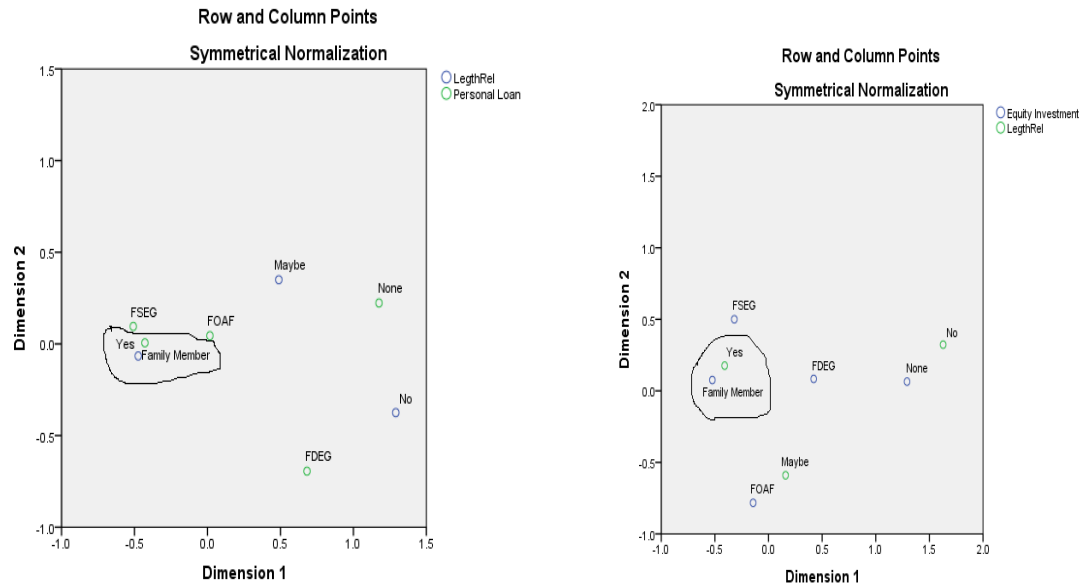


Personal Loan Support	Chi-Square	Total Inertia	Component	Proportion of Inertia accounted for by component	Sig
It is better to do business with family members because they can be trusted	36.91	18%	2	62%	<b>.002</b>
It is better to do business with friends because they can be trusted	20.05	9.6%	2	33%	.218
I would be willing to help any entrepreneur who has helped me in the past	15.25	7.3%	1	22%	.506
Would you be willing to help an entrepreneur because you have known him for long?	36.49	18%	1	33%	<b>.0001</b>
Gift Support	Chi-Square	Total Inertia	Component	Proportion of Inertia accounted for by component	Sig
It is better to do business with family members because they can be trusted	23.41	11%	2	26%	.103
It is better to do business with friends because they can be trusted	14.58	7%	2	34%	.556
I would be willing to help any entrepreneur who has helped me in the past	17.18	8%	1	49%	.374
Would you be willing to help an entrepreneur because you have known him for long?	22.61	11%	1	34%	<b>.004</b>

The total inertial represents the total variance explained by the model. CA summary in Table 7.10 shows the underlying relationships between pairs of variables and helps to interpret the relationships between the variables in the significant components. The bivariate results above show that there is a significant relationship between length of relationship and attitude towards doing business with family members. These relationships are significant for making equity investment and giving personal loan as shown in Figure 7.7.

There is also a significant relationship between willingness to help an entrepreneur who has being of help in the past and providing information support.

**Figure 7.7: Financial support and length of relationship**



For providing links to a business partner, there is a significant relationship with the length of relationship. This is also true for gift support. For the multivariate analysis, an ordinal logistic model was specified and the test of model effects is presented in Table 7.11.

**Table 7.11: Tests of model effects**

	<b>Wald Chi- Square</b>	<b>df</b>	<b>Sig.</b>	<b>Goodness of fit</b>	<b>Omnibus test</b>
<b>a. Gift giving</b>				.806	.028
Would you be willing to help an entrepreneur because you have known him for long?	4.679	2	0.096		
It is better to do business with family members because they can be trusted	9.54	4	0.049		
I would be willing to help any entrepreneur who has helped me in the past	8.956	4	0.062		
It is better to do business with friends because they can be trusted	4.125	4	0.389		
<b>b. Personal Loan Support</b>				.830	.0001
Would you be willing to help an entrepreneur because you have known him for long?	17.454	2	.0001		
It is better to do business with family members because they can be trusted	11.226	4	0.024		
I would be willing to help any entrepreneur who has helped me in the past	3.005	4	0.557		
It is better to do business with friends because they can be trusted	8.119	4	0.087		
<b>c. Information support</b>				.784	.029
Would you be willing to help an entrepreneur because you have known him for long?	4.474	2	0.107		
It is better to do business with family members because they can be trusted	13.665	4	0.008		
I would be willing to help any entrepreneur who has helped me in the past	10.612	4	0.031		
It is better to do business with friends because they can be trusted	9.883	4	0.042		
<b>d. Business Partner Support</b>				.811	.0001
Would you be willing to help an entrepreneur because you have known him for long?	11.034	2	0.004		
It is better to do business with family members because they can be trusted	11.198	4	0.024		
I would be willing to help any entrepreneur who has helped me in the past	3.546	4	0.471		
It is better to do business with friends because they can be trusted	5.019	4	0.285		
<b>e. Equity Investment Support</b>				.827	.0001
Would you be willing to help an entrepreneur because you have known him for long?	23.194	2	0.0001		
It is better to do business with family members because they can be trusted	8.287	4	0.082		
I would be willing to help any entrepreneur who has helped me in the past	1.626	4	0.804		
It is better to do business with friends because they can be trusted	3.263	4	0.515		

The omnibus tests are significant for each model indicating that the models are significant improvements over the models without any predictors. For the goodness of fit, a model with a ratio of deviance close to one is deemed a good fit; the deviance ratios are all close one. According to Prashantham et al. (2015) informal sources are important sources of the legitimacy for SMEs. The results show that length of relationship is a significant condition for preference for introducing business partner. Similar results were found for preference for providing personal loan and preference for equity investment. The preference for dealing with others with whom one has past dealings is conditioned by trust and indicates homophily (Aldrich et al., 1997; Ruef, 2010). Though SMEs can build legitimacy through the diaspora, it would be more difficult for those without long-lasting relationship with a diasporan. For gift and information support, length of relationship is not significant. Preference for gift support depend on attitude towards family members and without any condition. This indicates that gift is not perceived as an economic transaction. Komter and Vollebergh (1997) point out that the closer a social relationship, the less the gift resembles economic transaction. Providing information about business opportunities significantly depends on attitudes towards family or friends as well as reciprocity. Anyone who has been of help in the past could be provided with information without any condition. Information support from diasporans in

developed countries is likely to be least effort because of easier access to reliable information (Gould, 1994).

#### **7.4. Factors that influence diasporans' ownership of resources and access to resources held by others**

The list of 16 items presented in Table 7.12 representing entrepreneurial activities are adapted from a Resource Generator (RG) Questionnaire. They are classified as financing, general business actions and export-related activities. For this questionnaire, the respondents were asked to indicate whether they or someone they knew would be able to provide the listed entrepreneurial activities for a hypothetical 'entrepreneur from Nigeria'.

**Table 7.12: Entrepreneurial activities**

	<b>Financial activities</b>
1.	Provide financial assistance (e.g. loans, equity, investment)
2.	Knowledge about financial matters
	<b>General business activities</b>
3.	Connection to potential business partners
4.	Information about business opportunities
5.	Help to find prospective customers
6.	Help to find appropriate distributors
7.	Has good contacts with the media
8.	Give business advice
9.	Provide business services (e.g. legal, accounting or clerical)
10.	Give a good reference when seeking a contract
11.	Help with employment issues
	<b>Export related activities</b>
12.	Provide physical resources (e.g. warehousing, equipment, land)
13.	Information about customs goods declaration and other supporting exporting documents
14.	Find customs agent to clear goods
15.	Connection to freight forwarders
16.	Knowledge about government requirements and compliance standards

The aim of this analysis is to identify factors that influence the resource capacity of diasporans. That is, the resources diasporans own and which they are willing to provide or able to access from others to support an entrepreneur not well-known by the diasporan. Respondents were asked about access to the list each representing the entrepreneurial activities. Each of the activities is then checked against the relationship through which it can be accessed. That is, whether through a respondent, a family member, friends, or friend of a friend (Van Der Gaag and Snijders, 2005).

#### **7.4.1 Latent class modelling**

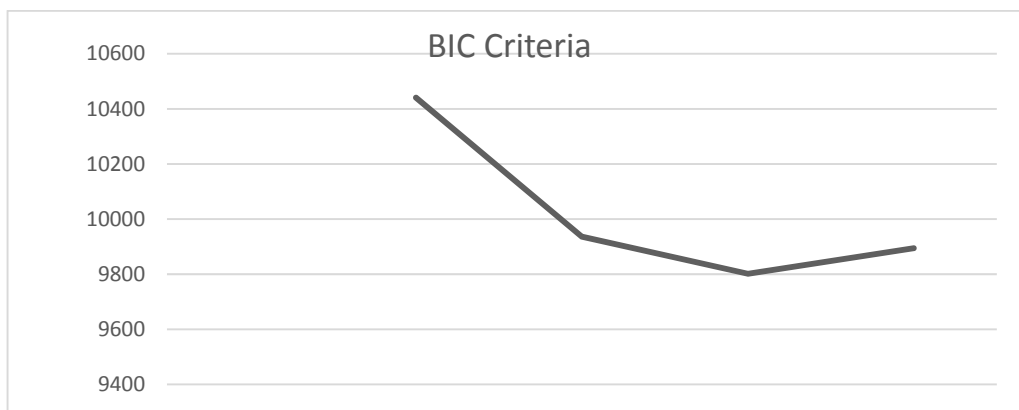
In latent class modelling, the relationship between a number of unobserved or latent variables are explained from a number of observed or manifest variables. In the case of the survey data, latent variables are measured from the observed variables that have five possible outcomes (kj) 1=diasporan, 2= family, 3=close friend, 4= friend of a friend and 5= none. Each respondent  $i$  (where  $i=1\dots n$ ) gives a  $k$ th response to an  $j$ th variable, such that  $Y_{ijk}$  represents the observed values of manifest variable  $A$  (Linzer and Lewis, 2010). The number of latent classes may be selected for theoretical reasons or the analysis may be of a more exploratory nature, in which case the objective is to locate the best fitting or most parsimonious model. In this case, the latter applies and the exploratory analysis sought to identify the best fitting model and then make interpretations of the allocated classes.

**Table 7.13: Model selection**

Model		Number of observations	Residual degrees of freedom	Number of estimated parameters	Log-likelihood	AIC	BIC
Model 1	1- LC	208	144	64	-5049.6	10227.2	10440.8
Model 2	2- LC	208	79	129	-4623.9	9505.8	9936.32
Model 3	3 - LC	208	14	194	-4383.1	9154.2	9801.64
Model 4	4 - LC	208	-51	259	-4255.8	9029.6	9894.1

Survey research (2014)

The model parameter estimates indicate the classes in the categorical data which are grouped according to the probabilities for each manifest variable observations. The command for the model parameter estimate was specified as: `poLCA cbind (dv1, dv2, dv3...) ~1`, where `dv#` = variables names in the data frame. Table 7.13 shows the model selection. In latent class analysis, the Akaike information criteria (AIC) or the Bayesian information criteria (BIC) are used to fit the best model based on the log-likelihood. The AIC has the tendency to choose complex models, therefore, a model with the lowest BIC is preferred and commonly used in LCA (Kasprzyk, 2010). Model 3 is best fitting with the lowest BIC and this is also displayed in Figure 7.8.

**Figure 7.8: BIC (3-LC) model**

Survey research (2014)

**Table 7.14: Access to resources by model parameter estimates**

			CLASS 1	CLASS 2	CLASS 3
			30%	35%	35%
	Entrepreneurial actions				
1.	Give business advice	Diasporan	<b>.82</b>	<b>.39</b>	<b>.37</b>
		Family	.05	.27	.31
		Close friend	.13	.04	.23
		Friend of friend	.00	.11	.09
		None	.00	.19	.00
2.	Provide financial assistance (e.g. loans, equity, investment)	Diasporan	<b>.31</b>	.09	.19
		Family	.08	.11	.23
		Close friend	.19	.13	.14
		Friend of friend	.09	.12	.18
		None	.33	<b>.55</b>	<b>.26</b>
3.	Knowledge about financial matters	Diasporan	<b>.67</b>	<b>.32</b>	.24
		Family	.00	.14	.24
		Close friend	.21	.07	<b>.38</b>
		Friend of friend	.09	.18	.12
		None	.02	.29	.03
4.	Information about business opportunities	Diasporan	<b>.71</b>	<b>.26</b>	<b>.34</b>
		Family	.02	.15	.19
		Close friend	.22	.17	.28
		Friend of friend	.05	.17	.17
		None	.00	.25	.01
5.	Provide business services (e.g. legal, accounting or clerical)	Diasporan	<b>.62</b>	.15	.08
		Family	.02	.15	.23
		Close friend	.31	.15	.26
		Friend of friend	.00	.08	<b>.34</b>
		None	.06	<b>.46</b>	.09
6.	Help to find prospective customers	Diasporan	<b>.65</b>	.20	.23
		Family	.00	.11	.24
		Close friend	.24	.14	<b>.26</b>
		Friend of friend	.09	.15	.18
		None	.02	<b>.39</b>	.09
7.	Help to find appropriate distributors	Diasporan	<b>.55</b>	.07	.17
		Family	.05	.06	.20
		Close friend	.27	.10	<b>.29</b>
		Friend of friend	.14	.11	.25
		None	.12	<b>.65</b>	.06



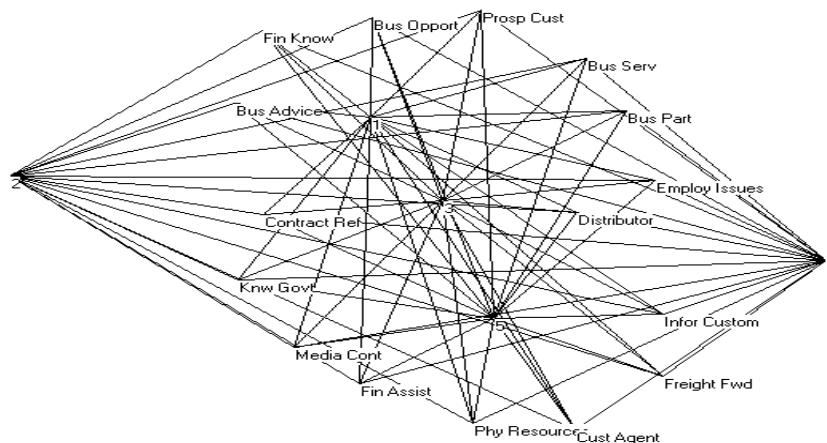
8.	Give a good reference when seeking a contract	Diasporan	<b>.54</b>	.17	.30
		Family	.00	.05	.17
		Close friend	.27	.06	<b>.33</b>
		Friend of friend	.04	.08	.16
		None	.14	<b>.62</b>	.02
9.	Has good contacts with the media	Diasporan	<b>.49</b>	.07	.08
		Family	.01	.10	.20
		Close friend	.21	.12	.26
		Friend of friend	.06	.05	<b>.32</b>
		None	.21	<b>.63</b>	.11
10.	Connection to potential business partners	Diasporan	<b>.53</b>	.08	.22
		Family	.04	.07	.26
		Close friend	.26	.08	<b>.29</b>
		Friend of friend	.09	.20	.14
		None	.05	<b>.55</b>	.06
11.	Provide physical resources (e.g. warehousing, equipment, land)	Diasporan	.28	.02	.06
		Family	.03	.01	.25
		Close friend	<b>.35</b>	.02	.21
		Friend of friend	.03	.09	<b>.30</b>
		None	.28	<b>.83</b>	.14
12.	Information about customs goods declaration and other supporting exporting documents	Diasporan	<b>.47</b>	.02	.04
		Family	.02	.14	.33
		Close friend	.35	.08	.16
		Friend of friend	.05	.08	<b>.34</b>
		None	.09	<b>.79</b>	.11
13.	Find customs agent to clear goods	Diasporan	<b>.44</b>	.02	.02
		Family	.01	.01	.31
		Close friend	.42	.08	.20
		Friend of friend	.01	.11	<b>.38</b>
		None	.09	<b>.75</b>	.06
14.	Connection to freight forwarders	Diasporan	<b>.45</b>	.02	.06
		Family	.01	.00	.24
		Close friend	.03	.03	.14
		Friend of friend	.01	.10	<b>.48</b>
		None	.14	<b>.83</b>	.05
15.	Help with employment issues	Diasporan	<b>.57</b>	.08	.15
		Family	.03	.08	.21
		Close friend	.22	.11	.20
		Friend of friend	.03	.18	<b>.27</b>
		None	.13	<b>.53</b>	.14

16.	Knowledge about government requirements and compliance standards	Diasporan	<b>.47</b>	.13	.17
		Family	.05	.07	.24
		Close friend	.35	.05	.17
		Friend of friend	.00	.18	<b>.35</b>
		None	.11	<b>.54</b>	.05

The model parameter estimates are presented in Table 7.14. The estimated population share shows that Class 1 represents 30% of the population of respondents, Class 2 consists of 35% and the Class 3 consists of 35%.

The network diagram in Figure 7.9 shows the main components of the network as corresponding with the three ties across the three classes as highlighted in Table 7.14 above.

**Figure 7.9: Entrepreneurial support actions and relational ties**



1 = diasporan 2 = Family 3 = close friend 4 = friend of friend 5 = none



**Class 1 (entrepreneurial activities by respondents)**

As shown in Table 7.14 and Figure 7.10 the 30% of respondents assigned to Class 1 were respondents who felt that they could provide the listed entrepreneurial support actions themselves or through a close friend (Item 11). The entrepreneurial activities they can provide based on highest probability are general business actions, as shown in Table 7.15.

**Class 2 (limited or no network)**

Table 7.14 and Figure 7.10 show that class 2 consists of 35% of the respondents and these are respondents who cannot provide the resources themselves and do not know anyone capable of providing any of the entrepreneurial actions listed. Based on the highest probabilities of each class shown in Table 7.15, they are not likely to be able to provide or access export-specific activities through others. Although the probability is very low, such respondents can provide business advice, knowledge about financial matters and business opportunities themselves.

**Class 3 (diverse network access)**

Class 3 describes 35% of the respondents who can access most of the entrepreneurial actions through a friend of a friend. Based on the probability of the responses, this class of diasporans can perform some activities themselves but mostly look for assistance through a friend of a friend. The class allocation shown in Table 7.15 was created based on the highest probability of the model parameter estimate for each

class (Neves, 2012). The core entrepreneurial activities based on the responses are items 1 to 7. The responses show that the probability is higher for general entrepreneurial activities compared to financial activities. For financial activities, the probability is high for knowledge about financial matters but not for export-related activities.

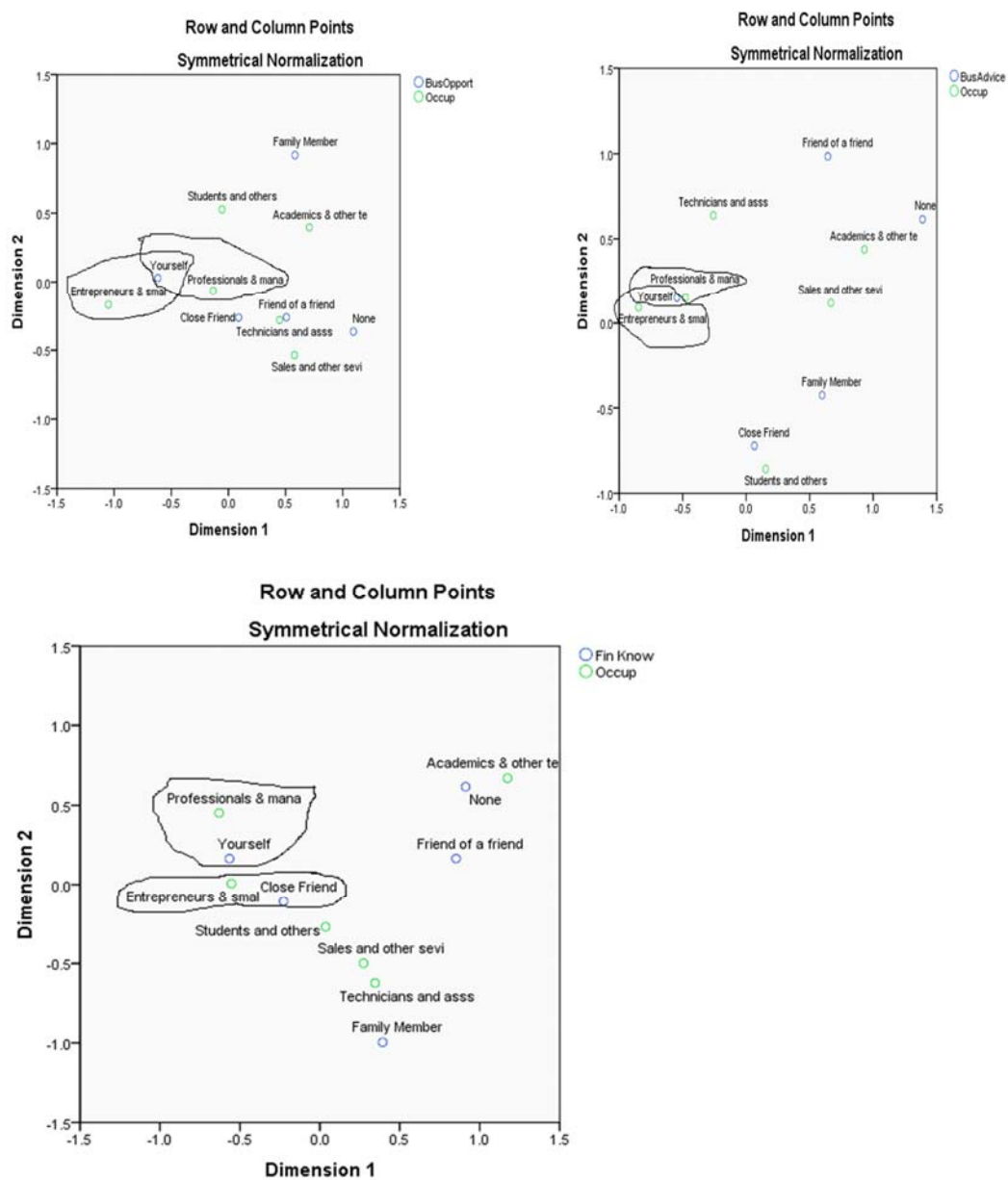
**Table 7.15: Latent class allocations**

		<b>Class 1</b>	<b>Class 2</b>	<b>Class 3</b>
		<b>30%</b>	<b>35%</b>	<b>35%</b>
	<b>Entrepreneurial actions</b>	<b>Strong ties</b>		<b>Strong ties</b>
1.	Give business advice	Diasporan	Diasporan	Diasporan
2.	Knowledge about financial matters	Diasporan	Diasporan	Close friend
3.	Connection to potential business partners	Diasporan	None	Close friend
4.	Help to find prospective customers	Diasporan	None	Close friend
5.	Help to find appropriate distributors	Diasporan	None	Close friend
6.	Give a good reference when seeking a contract	Diasporan	None	Close friend
7.	Information about business opportunities	Diasporan	Diasporan	Diasporan
		<b>Strong ties</b>		<b>Weak ties</b>
8.	Has good contacts with the media	Diasporan	None	Friend of friend
9.	Connection to freight forwarders	Diasporan	None	Friend of friend
10.	Provide financial assistance (e.g. loans, equity, investment)	Diasporan	None	None
11.	Provide business services (e.g. legal, accounting or clerical)	Diasporan	None	Friend of friend
12.	Provide physical resources (e.g. warehousing, equipment, land)	Close friend	None	Friend of friend
13.	Information about customs goods declaration and other supporting exporting documents	Diasporan	None	Friend of friend
14.	Find customs agent to clear goods	Diasporan	None	Friend of friend
15.	Help with employment issues	Diasporan	None	Friend of friend
16.	Knowledge about government requirements and compliance standards	Diasporan	None	Friend of friend

Items 1, 2 and 7 are the main entrepreneurial activities the respondents can provide because they are common to the three classes.

There is a significant relationship between respondents who can give business advice, give information about business opportunities and financial knowledge. These diasporans are mostly entrepreneurs or small business owners and professionals or managers. These are shown in Figure 7.11.

**Figure 7.11: Access to resources for entrepreneurial actions**



Altogether, the entrepreneurial actions listed in Items 1 to 7 in Table 7.15 depict a closed network. This is because the actions can be provided by either the respondents themselves or accessed through their close friends. The likelihood of entrepreneurial activities being available is through close ties, i.e. through diasporans or close friends, this indicates that the actions are expressive. The findings indicate that the probability for accessing expressive entrepreneurial activities (Items 1 to 7) are higher from the whole population of respondents. For Items 8 to 16, the entrepreneurial activities are financial assistance and export-related activities. In addition, to the export-related activities, the probability of selecting none is also low for financial assistance. These actions indicate instrumental actions in which the activities are searched for and obtained by bridging relationships in a network (Lin, 1999).

#### **7.4.2 Entrepreneurial activities and characteristics of diasporans**

The aim of this section is to identify the socio-demographic factors that predict the likelihood of access to the expressive entrepreneurial activities identified in the previous section. Socio-demographic factors such as immigration status and length of stay in the host country (Mohan, 2002; Mohan and Zack-Williams, 2002; Lancee and Hartung, 2012) and occupation (Meyer, 2001) could help to facilitate information and enforce contracts.

The proposition is that entrepreneurial activities diasporans are willing to engage in reflect the nature of their networks and are dependent on socio-demographic variables (occupation, gender, age, immigration status and educational level) as the independent variables of a latent class model regression analysis.

H2: There is no significant relationship entrepreneurial activities and socio-demographic factors.

The results, given in Table 7.16, show that immigration status is significant at  $p=0.03$  and age at 0.014.

**Table 7.16: Fit for 3 Latent classes (immigration status and age)**

<b>2/1</b>	Coefficient	Std.error	t value	Pr (> t )
(Intercept)	1.83	0.76	2.38	0.018
Immigration status	-1.10	0.52	-2.10	<b>0.03</b>
<b>3/1</b>	Coefficient	Std.error	t value	Pr (> t )
(Intercept)	1.47	0.85	1.72	0.08
Immigration status	-1.02	0.58	-1.75	0.08
<b>2/1</b>	Coefficient	Std.error	t value	Pr (> t )
(Intercept)	-1.28	0.68	-1.88	0.06
Age	0.60	0.24	2.48	<b>0.014</b>
<b>3/1</b>	Coefficient	Std.error	t value	Pr (> t )
(Intercept)	-0.38	0.72	-0.52	0.60
Age	0.15	0.27	0.55	0.58



Figure 7.12: Fit for 3 Latent classes (immigration status)

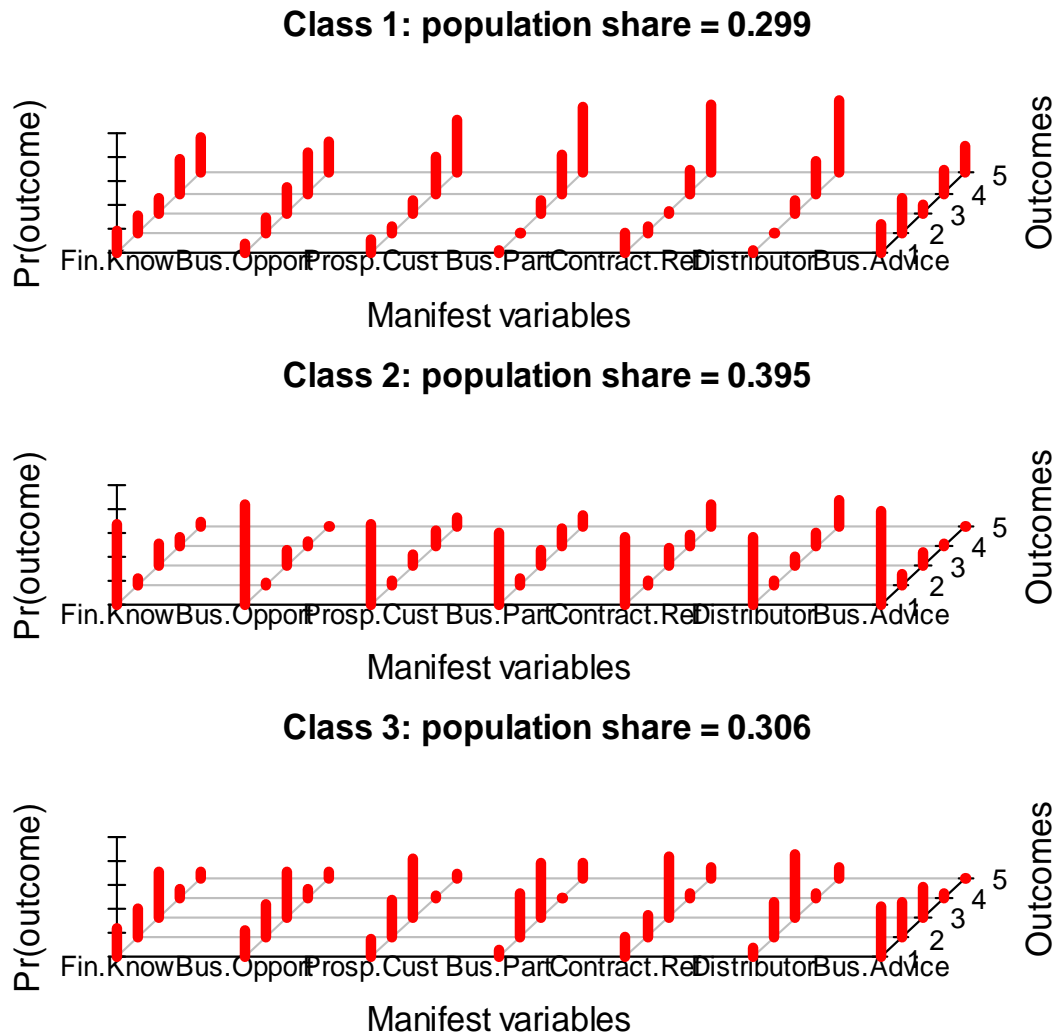
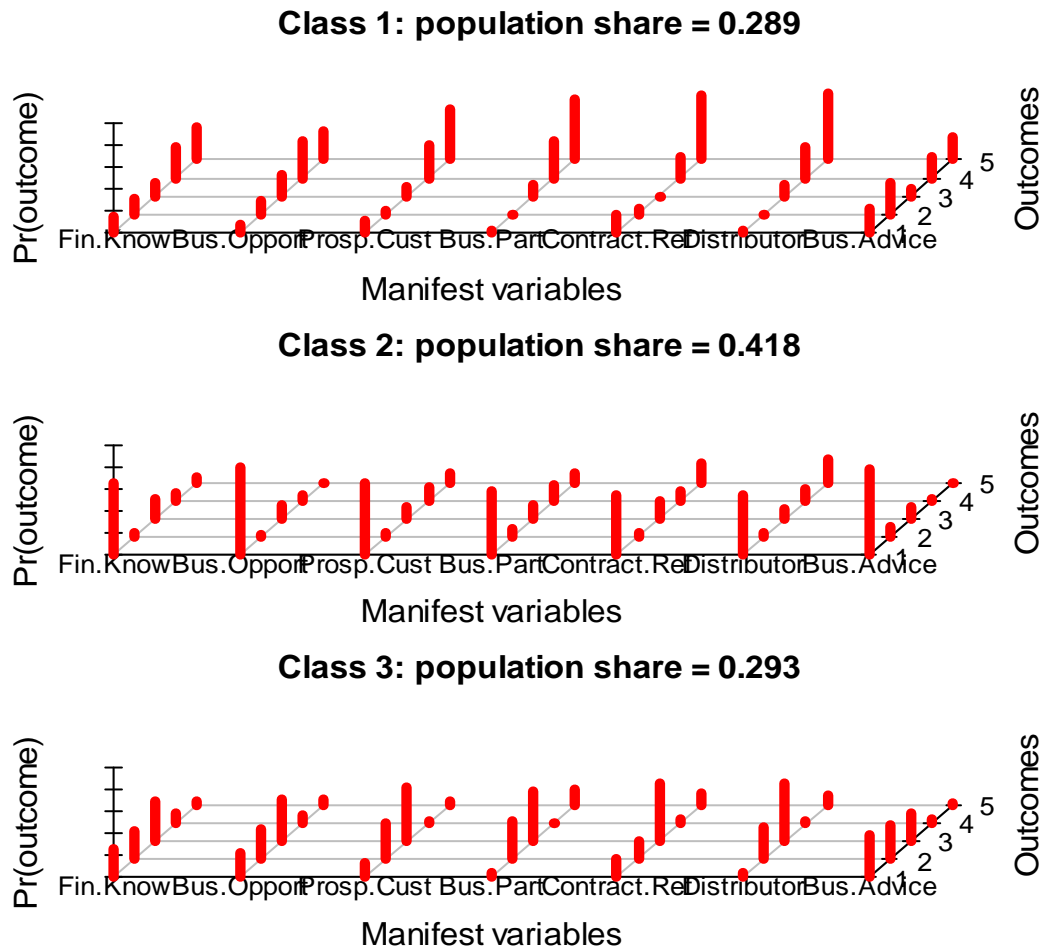


Figure 7.12 show that immigration status is a significant predictor of 40% of the respondents (class 2) who can provide expressive entrepreneurial activities themselves. This finding supports the idea that diasporans who have residency status are in better position to organise support for others (Mohan, 2002; Mohan and Zack-Williams, 2002).

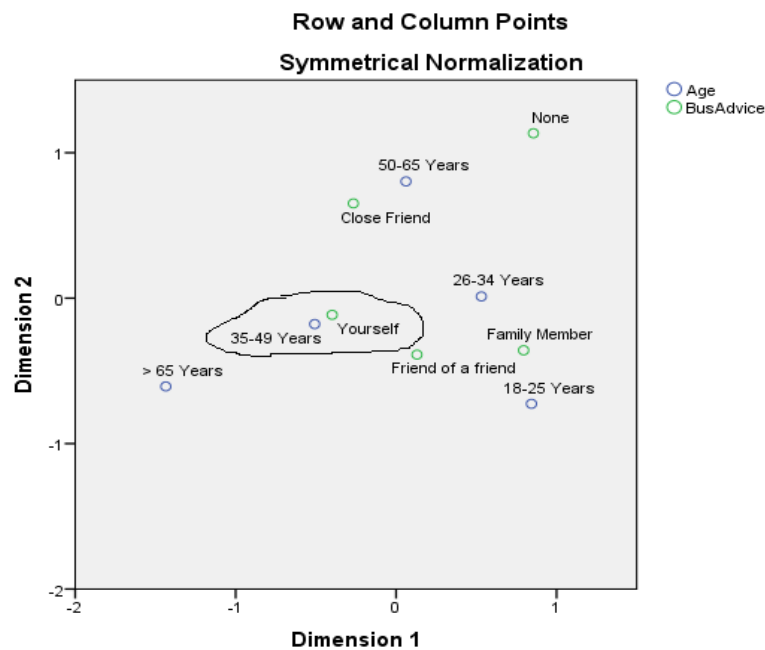
Figure 7.13: Fit for 3 Latent classes (age)



As shown in Table 7.16 and Figure 7.13, age predicts 42% of the respondents (Class 2) who can provide expressive resources themselves. The findings suggest that more respondents can provide expressive entrepreneurial activities themselves or through the respondents such as close friends. This likelihood is significant among respondents who are aged between 35-49 years (42%) and who are permanent migrants (40%). The nature of relationships through which resources can be accessed depicts least effort principle and the actions are expressive because the resources are

maintained or preserved in close networks where a diasporan or close friends makes use of resources they currently possess (Lin, 1999).

**Figure 7.14: Expressive entrepreneurial activities and age**

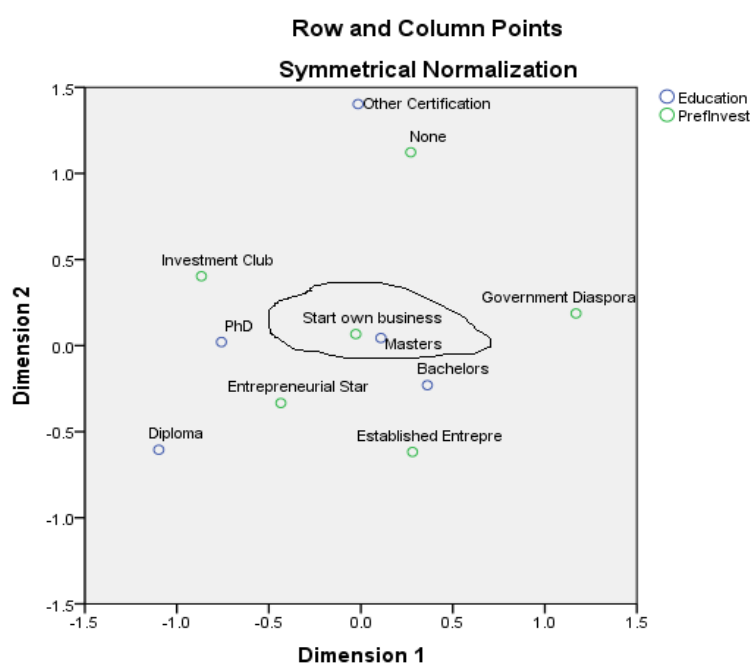


As shown in Figure 7.14 diasporans between 35-49 years can give business advice themselves. The findings also suggest that for 'an unknown entrepreneur', diasporans particularly entrepreneurs and professionals would be more willing to provide information activities. Such activities are the least effort because entrepreneurs and professionals already possess such resources and involve less financial cost. This supports the idea that under uncertainty, decision makers make use biases and heuristics and judgement based on affordable loss (Alvarez and Barney, 2007).

## 7.5 Factors that influence diasporans' willingness to invest in the country of origin

As displayed in Figure 7.16, a high percentage of respondents indicated that they prefer to start their own businesses in Nigeria (57%). Those who prefer to invest in entrepreneurial start-ups or established entrepreneurial business each made up 13% of the total. A significant number of these diasporans are educated to Master's degree level (Figure 7.15).

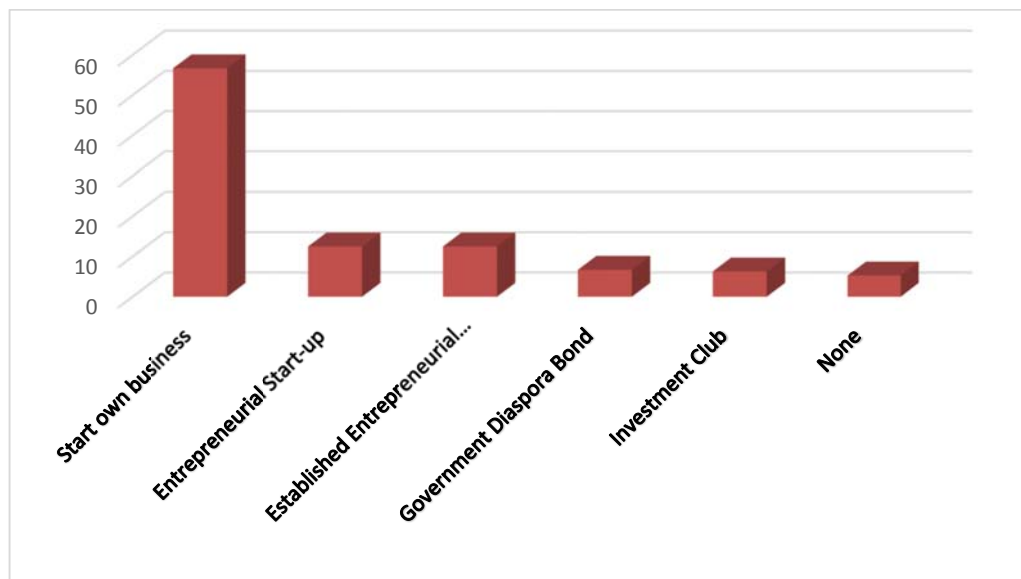
**Figure 7.15: Preferred investment according to educational level of respondents**



The preference of more respondents to start own business in Nigeria as shown in Figure 7.16 suggests that more respondents have the intention of starting a business in the country-of-origin. According to Ojo (2013), many Nigerian entrepreneurs in

the U.K. have home-bound orientation, with plans to retire or relocate to Nigeria at some point. This suggests therefore that, more diasporans could be encouraged to move to Nigeria or travel across locales to do business.

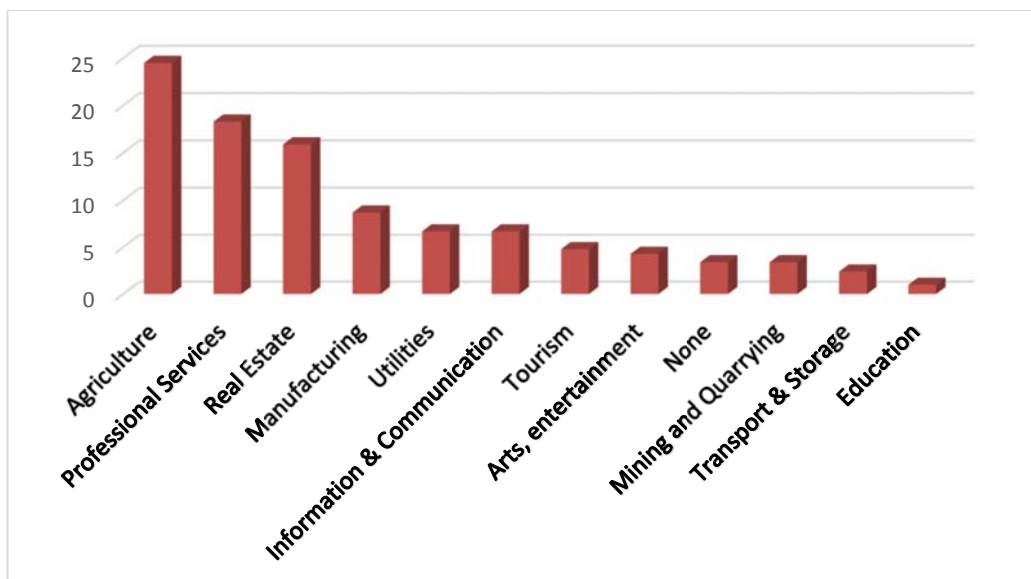
**Figure 7.16: The preferred type of investment**



Survey research (2014)

The top three preferred sectors for investment as shown in Figure 7.17 are agriculture (25%), professional services (18%) and real estates (16%).

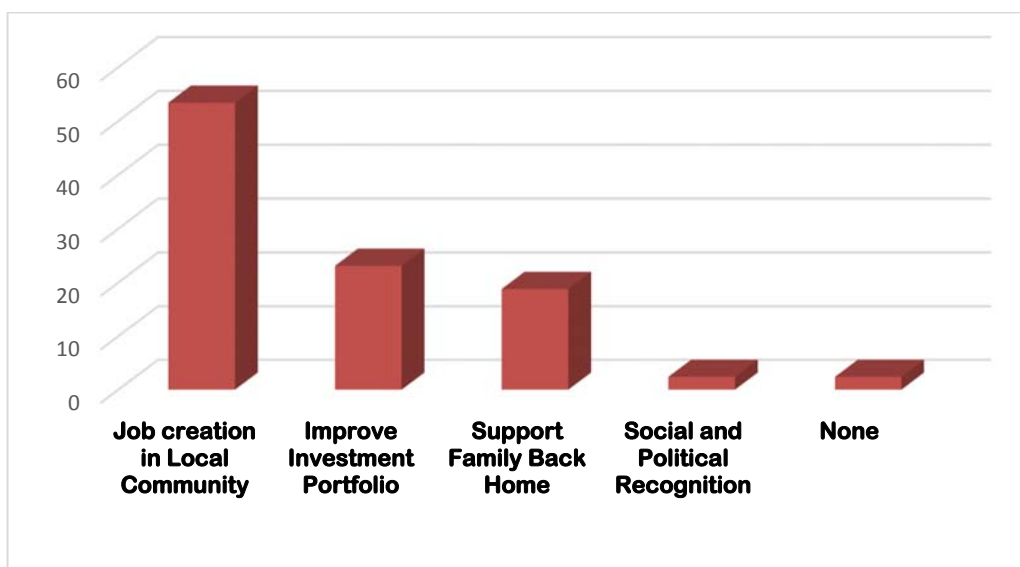
**Figure 7.17: The most preferred sectors for entrepreneurial business investment**



Survey research (2014)

Fonta et al. (2015) found out that in addition to supporting their families, remittance sending diasporans tend to invest in activities that can enhance their prestige and influence in the society.

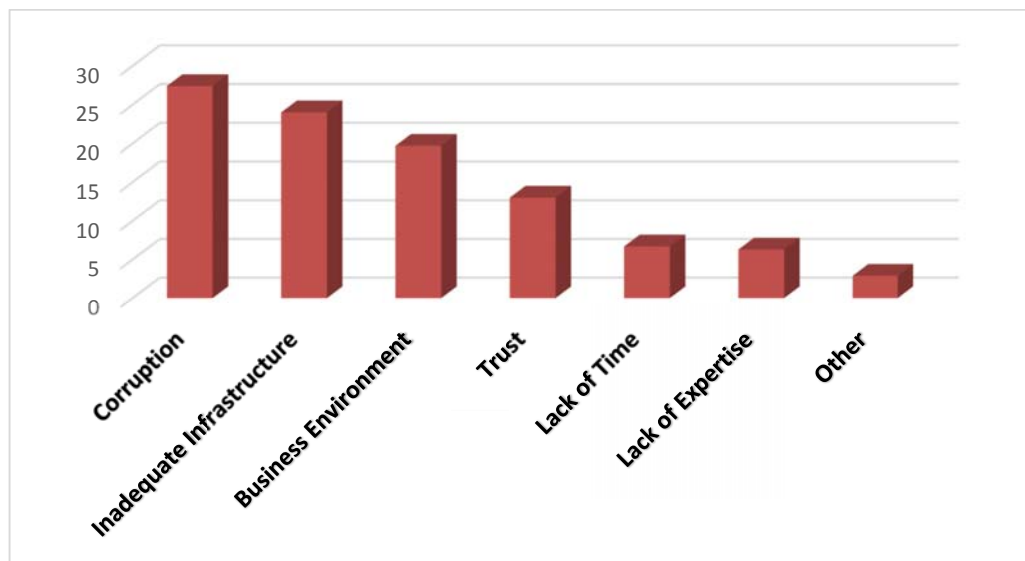
**Figure 7.18: Motivation for business investment**



Survey research (2014)

Figure 7.18 shows that 53% of the respondents would invest in a business in Nigeria to support job creation and income for the local community. More would invest to improve their investment portfolio than would invest to support the family back home (23% compared to 19%).

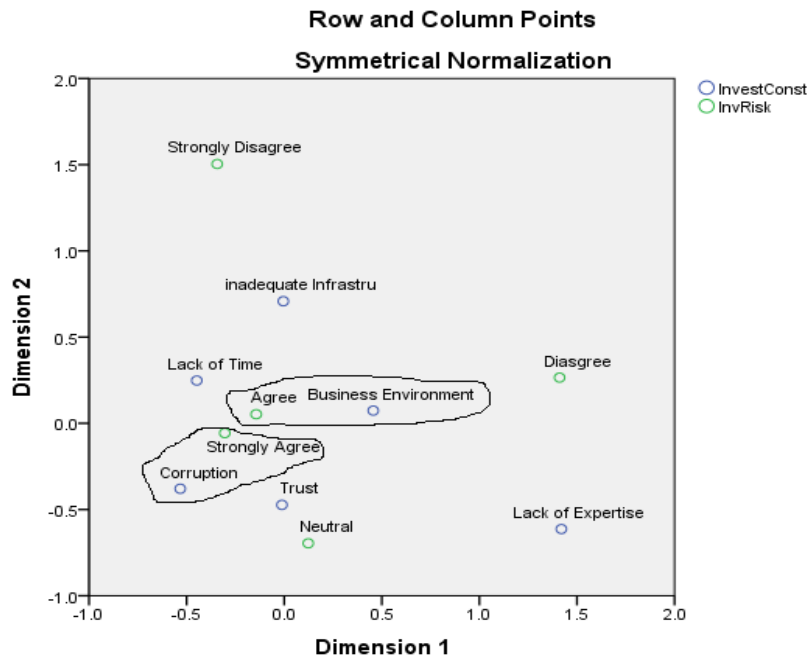
**Figure 7.19: Constraints that discourage business investment**



Survey research (2014)

Institutionalised corruption in Nigeria has been identified as a source of worry among diasporans (de Haas, 2006) and this apprehension may discourage investments in entrepreneurship if such conditions back home do not change (Mohan and Zack-Williams, 2002). As shown in Figure 7.19 the top three constraints that discourage making business investments in Nigeria by the respondents are corruption (27%), inadequate infrastructure (24%) and business environment uncertainties (20%).

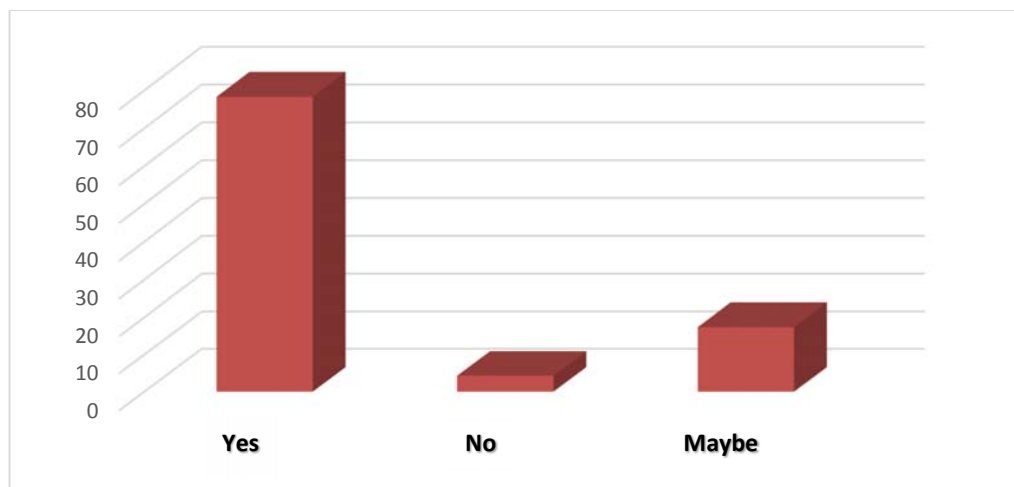
**Figure 7.20: Investment constraints and risks of doing business in Nigeria**



As shown in Figure 7.20 the respondents who strongly agree that investing in Nigeria while living abroad is risky are discouraged by corruption while those who agree are discouraged by the challenges in the business environment. A respondent describes how corruption discourages potential diaspora investors. The respondent said, ‘I will like to do business in Nigeria but will have to think twice about it because people will take undue advantage of you, claiming Nigerian factor, an acronym for corruption’. Corruption and other illegal practices are widespread in Nigeria and they have detrimental impact on entrepreneurial activities because of increased entrepreneurial risks (Lyon and Porter, 2009; Anokhin and Schulze, 2009).



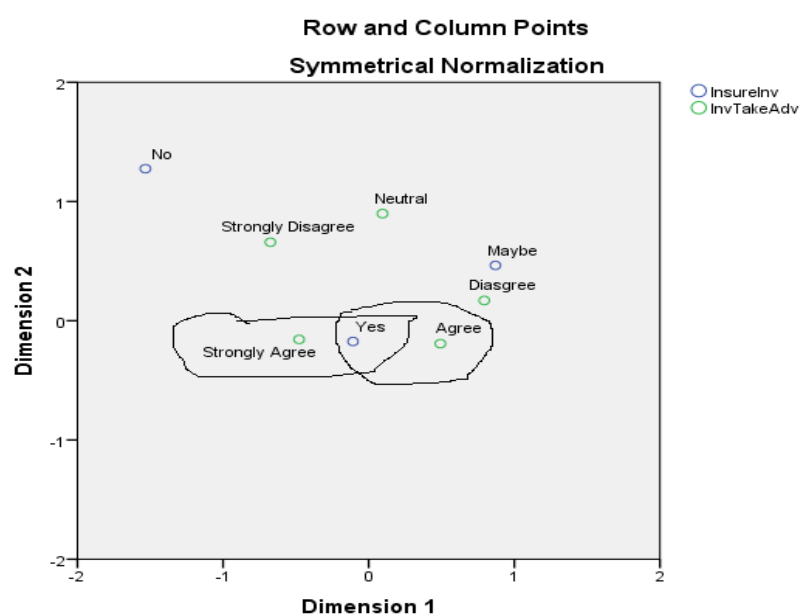
**Figure 7.21: Willingness to invest in a business if capital is insured**



Survey research (2014)

As shown in Figure 7.21 more respondents (78%) would be willing to make business investment in the country of origin if the capital is insured. This suggests that despite the constraints more respondents would make business investments in Nigeria if adequate security is in place to safeguard their investments.

**Figure 7.22: Investment risks and insurance**



More of the respondents who strongly agree and agree that if investing in Nigeria one should be alert or else, one would be taken advantage of, would invest if there are safeguards such as insurance of their investments. There is the perception that doing business in Nigeria is risky among the respondents. According to a respondent, the 'risk of investing in Nigeria and living abroad is very high'. Another called Nigeria a 'dicey investment location'. Adequate safeguards would bring a level of confidence to those who are naturally risk-averse or those who've had bad investment experiences in the past. Based on past experience, some respondents' perceptions about doing business in Nigeria is strongly negative. For example, a respondent with such an experience said, 'Nigeria business relationship is too unreliable I cannot take the risk again NEVER!'. Such diasporans would need to be convinced about reasons why they should invest in the country of origin. However, there are a few diasporans who despite the perceived risks and past experiences, would still go ahead and invest in Nigeria because they are patriotic. Some of these respondents are entrepreneurs who want to make business impact in the country. Such people can be likened to the risk-tolerant ethnic Chinese investors in the study by Alan and Hsu (2004). For example, an entrepreneur would like to make an impact with the business experience he or she has already acquired through experience as a long-time businessman/woman. Another respondent who had invested heavily in two businesses that had failed is currently investing heavily in the third one. His

rationale is that, 'if you believe in what you want to invest, you just have to show the resilience and persistence'. A woman expressed how patriotic and resilient her husband is about business investment in Nigeria, saying:

*'My husband has tried so hard to do business in Nigeria. He has not hit jackpot yet; and he doesn't want to give up, because he believes in his country, I am not as patriotic, my family has made a lot of sacrifices to Nigeria; and I am done. On his last trial, he air cargoed 100 pieces of laptop to Lagos, hired, paid, a 'trusted' clearing agent; who did not know that my husband was in the country; the guy went, picked up items and 2 boxes along with 30 laptop disappeared. There was nothing that my husband could do!!! He went filed a report and that was it'.*

These responses show that even though there are patriotic business investors who would take advantage of market opportunities in Nigeria, more respondents do not perceive themselves as capable of changing the way things are back home and would either stay away or embrace ways to protect their investments. This seems contrary to the notion that diasporans' experiences in their country of residence could influence institutional change in the country of origin (Riddle and Brinkerhoff et al., 2011).

## **7.6 The extent to which diasporans' motivation for entrepreneurial activities are influenced by institutional factors**

Factors that motivate the choices of entrepreneurial activities were analysed from the respondents' comments. The comments were analysed in two stages. The data analysis began by downloading the comment from the excel sheet containing the raw data into a Microsoft word document. A total of 80 respondents commented about their support preferences. Two criteria were set at the beginning of the analysis. The first was to identify broad categories that emerge from the comments and the second was to identify themes that describe the motivation for their preference choices. The two categories pre-determined by the researcher according to the questionnaire were firstly Support, i.e. those that select a preference (i.e. Options 1 to 4) and a second category comprised of those that select the No preference (i.e. Option 5). The second stage of the analysis was carried to explore the comments by diasporans who are entrepreneurs or small business owners. To do this, the occupation column along with the corresponding comments were pasted into a fresh Excel file. The responses from non-entrepreneurs were deleted and only the comments by entrepreneurs were copied and then pasted into the same Word file already containing the comments by all respondents and which was used for the initial analysis. The navigation menu in Word was then used to match the comments. The comments that matched were those made by entrepreneurs. The 'comment by entrepreneur' was then added to the corresponding colour code and

comments. Twenty out of the total 80 comments were made by entrepreneurs. Twelve entrepreneurs were in the yellow category because they prefer to support any type of entrepreneur and two were in the green category because they are not willing to give any support and the two in the red category would support close ties. There were also four entrepreneurs among the diasporans in the grey category, these are diasporans who prefer to support close ties initially but could also support others later. These categories of respondent and the motivations are summarised in Table 7.17.

**Table 7.17: Categories of respondents and motivation**

Category	Explanations of motivation	Basis of motivation/demotivation for support
1.	Family altruism, mutual expectations of trust influenced by upbringing	Accepted family norms, values and expectations
2.	Demotivation	Fear based on negative past experience - no interest, lack of trust.
3.	Expectations of instrumental reward	Business norms.
4.	Aspects of a) and b)	Aspects of a) and b)

### **Family altruism and loyalty**

Some respondents pointed out that support must first start with their families, giving indications of family altruism and loyalty. The emphasis is particularly on supporting close family members. Some respondents pointed out that, 'charity begins at home'. Showing that maintaining strong ties with family members is very important. The respondents also express strong preference for working with family members as the best business partner to work with. Furthermore, they pointed out

that 'helping family members is a natural phenomenon because of blood relationship'. However, according to some respondents, preference for supporting close family ties such as a brother or wife comes before distant family members. Such family members would benefit most and come first before any consideration for the extended family members. These responses suggest strong sentimental links with the family. Preference for support is also restricted to family members whom they feel responsible for because 'family comes first' and family comes first because that is, 'how is it supposed to be'. Some see this as 'being available' for one's family members 'regardless' of whether they appreciate you or not. These responses also suggest that the closer the tie, the stronger the trust. According to Roberts and Dunbar (2011) people are more likely to provide support for or bear a genuine cost for closely related kin than for friends (Roberts and Dunbar, 2011). Loyalty to family members stems from the values held by the family which reinforces trust. A respondent commented, 'I particularly come from an honest family, so I can trust them with my life'. Trust is therefore linked to family values e.g. someone coming from an honest family, is expected to be honest.

The motivations suggest support on altruistic basis in which gift support would be more obligatory and enduring (Komter and Volebergh, 1997) and agapic because the motivation is based on sacrifice and desire to please close relationships (Annamma, 2001). In the Nigerian context, this form of support is held very dearly

and enjoyed by entrepreneurs from family setup where group loyalty and sharing is strong, and where entrepreneurs rely on family members for social support (Abimbola, et al., 2011).

**Family members are trustworthy and easy to monitor.**

Altruistic behaviour within families gives a stable foundation that helps to reduce opportunistic behaviour (Pollak, 1985). The expressions of trust for family members are also linked to the ease of being able to monitor family members. According to a respondent, 'family members are more trusted and easy to monitor'. Such position is justified on the basis of the ease of monitoring family members compared to outsiders in a business environment where contract laws and the judicial system is weak. This also suggests that, in some cases, doing business with family members is not purely altruistic. Rather, in such arrangements, choice is made on least effort principle: where ease of monitoring business investments is an important factor in addition to trust. For example, one respondent pointed out that it would be easier to track down a family member should he start to misbehave or bring the business into disrepute. Investors who make most of their investments in businesses that are family-related are sometimes called 'family angels' (Erikson et al., 2003).

The extent of business risk another respondent is willing to take is limited to family members because they are well known and if anything goes wrong it can be settled within the family. However, another respondent remarked that, only minimal

investments would be made in family business because it would be harder to accuse a family member in case of a default. For example, a respondent might invest a lower amount in a family member's business in case of loss, 'but [a] higher [amount] in others because in case of any risk I'll be able to push it'. These responses also suggest that even though preference for family is high, the value of investment they are willing to make might be minimal in some instances.

The respondents also gave the rationale for choosing family members as a way of exercising caution. A respondent commented that 'having business dealings with someone you know is a way of guarding against falling into the hands of dubious people'. This is particularly needed when doing business in the Nigerian business environment. Trust is crucial not only when making financial investments but also when referring a person for business. One respondent said, 'referring a person for business has to do with trust so one needs to be very careful'. Another respondent reasoned that this is mainly due to the challenges of enforcing contract laws in Nigeria and the weak judicial system. In the Nigerian context, Lyon and Porter (2009) points out that because formal institutional trust is weak, personal trust and alternative institutional forms of trust are predominant because they help to build confidence. This form of motivation for investment is comparable to what angel investors look out for when making entrepreneurial investments. For example,



though they are sympathetic to entrepreneurs and are communally oriented, they also invest on the basis of ease of monitoring (Au et al., 2014).

### **Family incentive**

In addition to trust, preference for supporting family members is also linked to mutual expectations among family members. A respondent commented that, 'I may wish to do a favour to a family member not because of trust but to help him or her find a footing'. Another respondent remarked that by helping a family member's business, one would also get the necessary help from such a person during his own transition back home to the country of origin. Having been away from the country, he would have limited knowledge of the business environment but a businessperson, who is a family member back home, understands the business environment better and would be able to assist. This form of motivation suggests that support such as financial assistance would be given because of some future expectations. One respondent explained that even though there might be risks involved when dealing with family members, investing with or in a family member can help the family's overall prosperity. The commenter said, 'investing with or in a family member can help the family's overall prosperity, even when there might be risks. But all will still go back to our family'. Helping family members is also expressed as a way of reducing the burden of caring for the family. Another commenter points out that, 'if you are the only rich person in a family of many poor

people, then you are actually a poor person, hence I will prefer to help a family member grow his/her business so I won't have too much burden to carry'. This finding reveals a support for motivation as identified by Ojo et al. (2013), where a Nigerian diasporan lawyer said that sending money home to his siblings in Nigeria and 'setting up a dairy and fish farm for them to manage is a way of engaging them productively and giving me peace of mind' (p.295). This also suggests that when a business owner is given assistance by the family member to help setup his or her business, there is an expectation that he or she would also give back to others, e.g. by employing others (Nafziger, 1969).

#### **Length of relationship**

The motivation for supporting non-family members, such as close friends, is also linked to the length of relationship. Length of relationship is a characteristic of strong ties (Roberts and Dunbar, 2011; Sullivan and Ford, 2013; Chollet et al., 2014). One respondent explained the basis of choice as preference for doing 'business with the people I am comfortable with, like the friends I grew up with and know very well'. Another remarked that 'some of my ethnic friends, we have been together in the last 30 years', suggesting that knowing friends for a long time helps to foster trust. A respondent pointed out that financial support could be given to such friends, whereas information about international trading opportunities could be provided to anyone. However, another respondent remarked that in some instances, 'only

information is advisable to be given to friends because some of them are not reliable and trustworthy'. Both views suggest that information is viewed as less risky compared to financial investments.

Some responses highlighted a distinction between support, either relational or business support. For example, one respondent remarked that 'I can help any type of friend to support by introducing to prospective business partner, I would support family with gift and provide with information but I chose none for financial support and equity investment because I would invest in any viable business and personal relationship is not a factor'. This response proposes that less risky forms of support can be made on a relational basis while riskier forms, such as giving personal loans and making equity investments, could be made based on the viability of the business. Another respondent who has 'suffered too much losses' thinks business investments in Nigeria is a 'leap of faith'. The 'leap of faith' was explained as being cautious e.g. by making minimum capital investment and giving a gift rather than investing in a Nigerian partnership.

### **Trust, reputation and business idea of entrepreneur**

Some responses showed that priority support could be given to family or friends initially because, as pointed out by one respondent, family support is 'best out of all evils' and might not be the best option to 'go by in business that you want to have longevity'. However, such respondents could also support non-family members if

they have the capacity to do so. A respondent also pointed out that dealing with non-family members would give the opportunity to deal with issues without sentiments. The commenter said 'I prefer to do most business with none family members, cos it gives me more open hand to deal with issues without sentiments'. The criteria mentioned as important for supporting non-family members' businesses are: honesty, viability of business idea and hard work irrespective of their ethnicity. Such criteria were also highlighted by respondents who showed preference for supporting any type of entrepreneur. Being able to establish trust, reputation and having good business ideas were mentioned as factors necessary to make business investments. One respondent mentioned that 'business is all about trust, and if fear about trust has been sorted, investment or commitment would not be a problem'. Trust could be established when dealing with businesses with good reputation. Apart from good business idea, the entrepreneurs should also have good reputation. Such an entrepreneur would be supported 'regardless of their tribe or religion or family ties'. The comments also highlighted having a good business idea as an important criterion. Willingness to finance if the entrepreneurs have trusted references and a good track record, irrespective of personal relationships, are also critical.

### **The viability of a business and skills and expertise of entrepreneur**

The comments also highlighted the importance of having confidence in a business in order to invest in it, irrespective of whether they are friends or family members. One respondent pointed out that, confidence in the entrepreneur is key in deciding to invest. Confidence in the entrepreneur and the business idea would help mitigate venture risks and help to strengthen trust. The characteristics of an entrepreneur and the promotion of innovativeness are variables likely to affect investment decisions by angel investors (Parhankangas and Ehrlich, 2014). The comments also highlighted the importance of the experience of an entrepreneur and his or her team. This can motivate investment and is important because it will convince the investor of the chances of business success. One respondent would 'support someone, I am convinced has a good chance of succeeding that has a lot to do with [the entrepreneur's] experience or the experience of their team members'. Other motivating factors revealed were the skills and expertise of the entrepreneur, and the opportunity to make proper assessments before investment. Good return on investment and the skill set of an entrepreneur were also emphasised. In addition, conducting personal research and making necessary checks before investing in any business were also deemed important. These factors were considered necessary to ascertain the viability of a business.

Some other factors mentioned by the respondents were the seriousness and dynamism of the entrepreneur, compliance with the business rules, the value proposition of the business, and the planning skills of the team or person leading or developing the business. These group of respondents are not biased because their choices and comments support heterophilous rather than homophilous relationships. These comments were mostly by diasporans who identified themselves as entrepreneurs or business owners, and suggest that their motivations are based business norms.

#### **Lack of interest in business, excessive demands from others and lack of connections**

Some respondents would not support any entrepreneur because they do not have any interest in entrepreneurial activities. The lack of interest is also attributed to excessive financial demand from others back home, who do not have any consideration for the consequences of their demands on others' business. This can be viewed as a negative impact of the kinship form social security system in Nigeria that places excessive demands on the more prosperous members of the family and the community (Limbs and Fort, 2000; Nafziger, 1969). Another issue raised is the need for one to be highly connected to those at the top when doing business in Nigeria. Having connections is deemed necessary to have a successful business in Nigeria. One respondent revealed that 'experience has shown that business doesn't thrive in Nigeria unless you are highly connected to the top'. This view is supported

by Ufere et al. (2012), who pointed out the use of influential connectors by entrepreneurs, which is often linked to paying of bribes, may discourage some diasporans from investing or supporting SMEs in Nigeria.

### **Lack of trust**

Lack of trust is a demotivating factor that results in unwillingness to support. This attitude is influenced by unfavourable business dealings with others from the past. A respondent recounted from past experience, how difficult it is to deal with Nigerians compared non-Nigerians. According to the respondent, 'from past experiences I have with Nigerians I have worked with, compared with people from other regions, outsiders are more easier to deal with than dealing with Nigerian. Nigerians are never straight forward with their business partners'. The unwillingness to invest is therefore influenced by prior experience, leading to the conclusion that Nigerians are never straight forward with their business partners. For some diasporans, even family members have been sources of unfavourable experience in the past and this could also limit the extent of interest in entrepreneurial activities. As one respondent commented 'I will rather give a one-off assistance than having a business relationship with any Nigerian especially family members. I have been terribly dealt with a couple of times and I cannot try it again'. Past experience of bad business dealings might also be responsible for the high number of diasporans who prefer to start their own business if they chose to

do business in Nigeria. A respondent remarked that even though it may take a long time to gather substantial funds, with determination and discipline one can achieve a profitable business. However, it is the 'resources you put together by self with solid planning, is the best option to put in your business'.

## **Conclusion**

The chapter presented and discussed the data analysis of the empirical study. The descriptive data of the diaspora survey were presented and discussed. The analysis also showed the factors that influence diasporans' tendency toward financial investments and business linkages. Factors that influence diasporans' ownership of resources and access to resources held by others as well as their willingness to invest in the country of origin were discussed. Diasporans' ownership of resources and access to resources held by others and the ways diasporans' motivations for entrepreneurial activities are influenced by institutional factors were also highlighted. In the next chapter, the key findings and areas of contribution to knowledge are discussed.



## Chapter 8

### DISCUSSION OF FINDINGS

#### 8.1 Introduction

This chapter highlights the key findings of the study and shows how the research questions were answered and the research aim achieved. In advancing the understanding about diasporans and participation in transnational entrepreneurial activities, prior studies have focussed on how diasporans play an important role in business creation and in providing access to resources for entrepreneurs who produce quality products for export (Nanda and Khanna, 2010). Despite the research on diaspora entrepreneurship in the last decades, there is limited knowledge about the scope of the phenomenon (Elo, 2015; Harima et al., 2016). The basis of the current research is that the willingness to participate in transnational entrepreneurial activities differ according to institutional contexts (Saxenian, 2005). Institutional factors determine the possibility of diasporans' engagement in transnational entrepreneurship (Bruton et al., 2010; Baltar and Icart, 2013). Networks are assumed to be the fundamental characteristic of transnationalism and is the primary means of mobilising diaspora resources for transnational practices (Chen and Tan, 2009). The study therefore explored diasporans' willingness to participate in transnational entrepreneurial activities through their sentiments, resources and nature of interactions. The exploration and analysis of these factors helped in understanding

the choices and the motives of diasporans; as well as ways through which linkages could be opened. The research contributes to furthering knowledge about the possibilities for diasporans' transnational entrepreneurial activities from the Nigerian context where doing business is considered risky. These findings are discussed below.

## **8.2 Key research findings**

This section highlights how the empirical analysis has contributed to answering the research questions by highlighting the key research findings.

### **8.2.1 Factors that contribute to diasporans' predisposition toward making financial investments and providing business linkages.**

The research findings highlight the factors that contribute to diasporans' predisposition toward making financial investments and providing business linkages. These findings are explained in terms of the sentiments of diasporans, their resources and the nature of their interactions. According to the definition of the diaspora, diasporans have both sentimental and material links with the country of origin (Sheffer, 1986). The results indicate that diasporans have strong sentiments for investing in family-member owned businesses. This indicates a link between diasporans and their families back home and support the notion that the relationship between diasporans and the country of origin is more of expressive than instrumental behaviour (Safran, 1991). This finding also supports the view that

diasporans' strong obligation towards family rather than economic prospect is a key link between the diaspora and the country of origin development (Riddle et al., 2010; Riddle and Brinkerhoff et al., 2011). The preference for supporting family-member owned SMEs highlights some of these sentimental aspects. It highlights choice homophily, which describes diasporans' propensity towards close ties. Such kinship-based business investments are culturally supported in Nigeria, where family members are helped in setting up businesses to sustain themselves (Limbs and Fort, 2000; Mordi et al., 2010).

Homophily predisposes people to others they know well based on a greater level of trust which exists in such relationships (McPherson et al., 2001; Grossman et al., 2007; Arregle et al., 2013). More diasporans strongly agree and agree that they are willing to help an entrepreneur who has helped them in the past. More are also affirmative about their willingness to help an entrepreneur who they have known for a long time and the importance of the business experience of the entrepreneur was also highlighted.

Portes and Yiu (2013) point out that the extent to which the viability of diaspora entrepreneurship is contingent on economic and social ties with the home country is one of the issues raised by the transnational entrepreneurship perspective. The results suggest that diasporans' willingness to make financial investments and provide business linkages are linked to working with close ties. Prior research has

also found out that the maintenance of close links with the country of origin gives rise to transnational entrepreneurs (Mustafa and Chen, 2010). Interestingly from this result, despite the strong preference for family-member owned businesses, more diasporans disagree or are neutral about the idea that it is better to do business with family members or friends because they can be trusted. Additionally, they strongly agree and agree that due care is needed when dealing with fellow Nigerians. These responses give an indication of the importance of trust but does not explain the relationship between the strong preference for family-member-owned businesses and the variance in the responses about the suitability of doing more business with family members based on trust.

Further analysis of the factors that influence the support preferences of diasporans show that the length of relationship is a significant influence. Length of relationship is a significant factor that influences preferences for making equity investment or giving personal loan to a family-member owned business. The basis of preferring strong ties is the greater level of trust (McPherson et al., 2001; Grossman et al., 2007; Arregle et al., 2013) which exists in enduring relationships (Sullivan and Ford, 2013). This was also true for the preference for introducing an SME to a business partner. The similarities in preferences for making financial investments and introducing business partners and the influence of length of relationship indicate that these

aspects of entrepreneurial activities are viewed as risky and are areas where more care needs to be exercised.

The condition of length of relationship is significant for the preference for providing business linkages but not significant for providing information. Information support by diasporans in developed country is likely to be least effort because of easier access to reliable information (Gould, 1994). However, introducing an SME to a business partner is risky because it reassures the potential partners about the prospects of that entrepreneur, e.g. that an entrepreneur would behave honestly and that the business is legal. Therefore, this entails an element of risk which restricts preferences to only those entrepreneurs well known by the diasporans.

In strong relationships when good deeds done in the past are repaid, they are backed by moral obligation and reciprocity is implied but with acquaintances and strangers exchange tend to be based on clear-cut reciprocity (Roberts and Dunbar, 2011). From the results, reciprocity is significantly linked to least-effort activities (e.g. providing information about business opportunities) rather than financial investments (Table 7.10). Mustafa and Chen (2010) attributes the norm of reciprocity to the strong influence of family networks on transnational entrepreneurship. However, this study finds that trust and loyalty established by enduring relationship rather than reciprocity explains willingness for making financial investments. There is a significant relationship between reciprocity and the preference for providing

information about business opportunities. Returning a past favour by providing information about business opportunity is a less risky option compared to making financial investments. Diasporans can provide information without the condition of length of relationship with any entrepreneur. Preference for this type of entrepreneurial activity encompasses all SMEs because it is a less risky activity. However, the value of the information provided would depend on the nature of information required as well as the quality of the source (diasporan) of the information exchanged and whether it meets the needs of the SME.

Making financial investment entails risk and a need to exercise due diligence when investing in a business is important. Considering that diasporans are outside the country of origin, it might be easier to invest in or through reputable businesses and through well-known relationships. More of the diasporans who preferred to support a family-member owned business, also preferred to give gift or personal loan than make equity investments. From literature (Abereijo and Fayomi, 2007), Nigerian SMEs are also known to prefer debt financing in the form of loans rather than equity investment. SMEs tend to want to keep their equity rather than exchanging it for financial investments in their businesses (Abereijo and Fayomi, 2007). Similarly, from the diasporans' perspective, the challenge of making equity investment is that it is not easy to monitor investments in Nigeria while living abroad. This discourages

diasporans from making equity investments as shown by the lower preferences of the diasporans.

### **8.2.2 Diasporans' ownership of resources and access to resources held by others**

Three classes of diasporans were identified; those who own resources themselves, those who can access resources held by others and those who can do neither. In terms of resources owned by diasporans or held by others, expressive entrepreneurial activities rather than instrumental activities are significantly available through the diasporans and their close networks. Three entrepreneurial activities were significant across the three classes of diasporans. These activities are general information actions namely; knowledge about financial matters, information about business opportunities and providing business advice. For financial activities, the results show that among the class of diasporans who can provide financial assistance themselves, the probability of such diasporans providing financial assistance to an entrepreneur that is not well-known by them is not significant. This result supports the earlier analysis which showed that preferences for financial investments in businesses are influenced by length of relationship. Therefore, rather than provide financial assistance, the diasporans are more willing to support SMEs with their financial knowledge. These diasporans are managers and professionals. A probable reason for this is that, giving financial

advice is based on personal knowledge or business experience of these diasporans and is a less costly resource to part with compared to parting with personal funds. There is a significant relationship between diasporans who are entrepreneurs or business owners and those who can personally give business advice as well as give information about business opportunities. These entrepreneurial activities can be provided by the diasporans themselves or through their close friends. These resources owned by diasporans or their close connections are described as expressive resources - because they are available through close network (Lin, 1999; 2001). Access to expressive resources depicts least-effort interactions because this occurs between similar people and less effort would be expended to access them. Even though there are diasporans who could access resources through weaker ties for instrumental activities, such were not significant. The probability of a diasporan reaching out to unfamiliar people to do business on behalf of an entrepreneur that is not well-known seems low. This finding is like the 'identified victim phenomenon' (Kogut and Ritov, 2005, p. 158). The willingness to help an entrepreneur well known by diasporans will receive higher contributions than the unidentified one. This is because diasporans' sentiments towards those well-known would draw more attention and resources to such entrepreneurs (Small and Loewenstein, 2003).

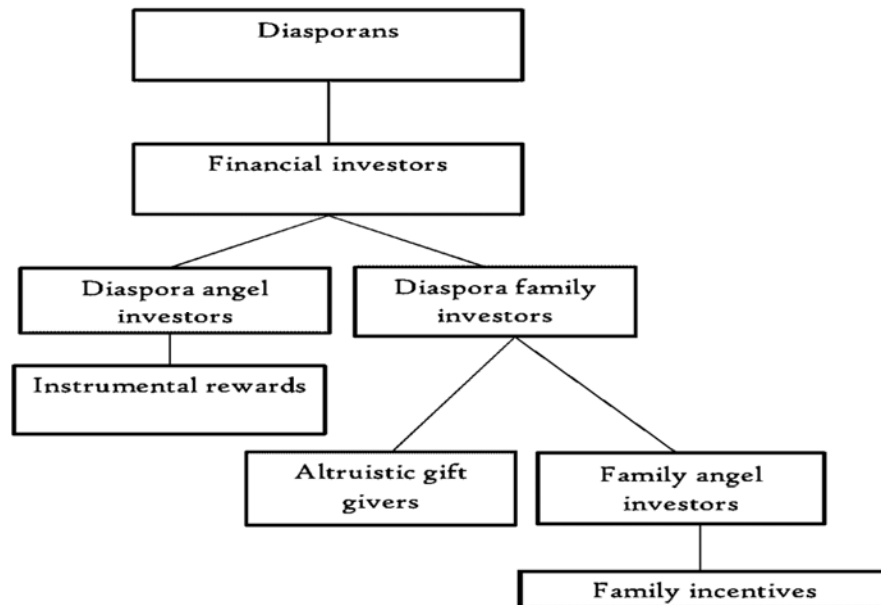


### **8.2.3 Motivation and demotivation for entrepreneurial activities**

From the discussions so far, diasporans would prefer to support SMEs with information and knowledge rather than financial investments. In terms of motivation for investing in the country of origin, the results show that more diasporans are motivated by job creation in the local community and they prefer to start their own business. Diasporans also show a preference for investing in agriculture or professional services sectors (Figure 7.17). However, many are constrained by the level of corruption and inadequate infrastructure, such as electricity.

Some diasporans believe that one needs to be highly connected to be successful and are discouraged by having to pay bribes to corrupt officials. Some of the diasporans would invest if their investment is insured, indicating that the perception of Nigerian being a risky place to invest is high. Those who would make financial investment and provide business partnership linkages, would take the less risky option by investing in SMEs they have known for a long time. Sorenson (2003) points out that weak ties are costly. The results show that diasporans would access resources they do not possess using least effort i.e. through close ties such as friends rather than through weaker ties where more effort would be expended. The reasoning for diasporans' preferences explains their motivations and describes what their roles could be in relation to SME support as shown in Figure 8.1.

**Figure 8.1: Financial investments of diasporans**



Two broad categories of financial investors can be identified among the diasporans, namely the diaspora family investors and the diaspora angel investor. Diaspora family investors are either altruistic gift-givers or family angel investors. The altruistic gift-givers support family members because it is the acceptable norm and because of the collectively held tradition of helping family members. They are the gift givers who would give financial support and not expect a payback. They would give financial support and not expect anything in return because the act of supporting and being there for family members is the right thing to do. This class of diasporans highlight the sentimental link of diasporans to the country of origin in the form of giving back to their family members. Some of these family members

could have played significant roles in the lives of such diasporans and how they were able to travel abroad. SMEs that benefit from such diasporans, would enjoy financial support with no conditions attached though the value would depend on the diasporan's financial capacity and generosity.

The family angel investors are interested in having returns on their investments. The rationale for this role is that supporting family members or those well known by diasporans is the most appropriate risk-minimising strategy. Their choice is based on trust established based on the length of relationship and on the basis of ease of monitoring investments made in a family member's business. Unlike the altruistic givers, these investors do not have purely altruistic motivations. They are interested in the ease of monitoring their investments by applying the least effort principle. This is because of the challenges in the Nigerian business environment where trust is low and people have lost confidence in the formal institutions that ought to provide the mechanisms to guard against opportunism in business. This class of family investors would therefore prefer to safeguard their investments using their family as an alternative mechanism. Returns are important to family investors however; the incentives are also for the mutual benefit of the family members and their wellbeing. The investors could also expect return of favour from family ties upon their return to the country of origin, to help navigate the business

environment. For some diasporans, such investments when successful, could help to reduce the burden of obligation towards caring for family members.

The diaspora angel investors exhibit some characteristics like other angel investors. Investments are based on expectations of instrumental reward or return on investment. These class of financial investors are interested in dealing with SMEs without sentiments. They also do not have homophily bias as the family investors do. Rationale for investments are based on business principles. They expect entrepreneurs to have personal characteristics such as honesty, trustworthiness and be hardworking. They are also interested in viable business ideas and in the value proposition of a business. These are qualities that help build investors' confidence. There are more diaspora entrepreneurs/small business owners in this category of diasporans. When making financial investment, these investors would carry out their research and all due assessments of any business they are interested in making investments. An SME that would benefit from financial support from the diaspora angels would need to be able to convince investors of the business potential and provide easily assessable information about their businesses. Apart from the trust and cost explanations, diasporans' preference for close ties could be explained based on the principle of the identified victim (Kogut and Ritov, 2005). Preference for supporting an SME well known by a diasporan is an easier choice because the diasporan has ex-post information that forms the basis of evaluation of risks. Such

relationships are less risky because they carry with them a history of past dealings both within and outside business settings (Granovetter, 1973; Aldrich et al., 1997). In the case of an unknown SME, decisions are made in uncertainty which makes it a riskier option for diasporans because there is no prior interaction or information which could form the basis of investment risk assessment. Therefore, for SMEs to be able to access financial support from a diaspora angel investors or group of investors, they would need to have accessible profiles with clearly presented business ideas. The internet would be useful in this regard and such could also form the basis of a well-coordinated diaspora entrepreneurial network which is presently lacking in the Nigerian diaspora. The existence of such a medium could also encourage more diasporans to eventually decide to consider making entrepreneurial investments in the Nigeria.

#### **8.2.4 Ways diasporans' resources could be leveraged to support SMEs in the country of origin**

The challenges of access to finance for SMEs show that even though more SMEs have accounts with banks, only a few of them can access a line of credit or overdraft from their banks. SMEs may therefore find it difficult to borrow because they lack credit history. The other alternatives available to SMEs are the non-financial institutions e.g. microfinance banks, or credit advances from suppliers. Those that receive

government funds are also likely to rely on informal sources of funds such as family members, friends, personal savings and informal saving schemes.

The challenges in respect to international market are primarily faced by firms in the manufacturing sector. Only a small percentage of the exporting SMEs are formally registered businesses and even a smaller percentage have international quality certification. The challenge of theft, spoilage and a high number of days to clear customs were reported among these exporting SMEs.

The capacity for Nigerian SMEs to expand into international markets by taking advantage of the export knowledge of diasporans' abroad may be limited. This is because diaspora entrepreneurs may not have specialised knowledge about exporting from Nigeria, which is the location where the problems lie. They may however, be sources of experiential knowledge for SMEs in the diaspora.

The willingness to invest and support SMEs without relational preferences is significant when the motive for investment is instrumental. Therefore, investment decisions are made based on selective criteria that emphasise the importance of business norms as well as personal qualities of the entrepreneur. For example, the track record of an SME or credit history may be useful in signalling the business quality. This motive for investment highlights the diasporans with angel investor characteristics. It also highlights the critical mass of the Nigerian diaspora who can create the bandwagon effect for diaspora transnational entrepreneurship. The

financial resource capacity of individual diasporans or the resources mobilised through ties of diasporans may not be significant compared to what SMEs would be able to obtain through formal institutions such as banks. However, SMEs in Nigeria could benefit from pooled resources from the diaspora in the form of angel investment groups rather than individual angel investors.

In addition to the angel investor role, another area where the critical mass of the diaspora can play a significant role is through establishing entrepreneurial start-ups in Nigeria. However, just like SMEs, institutionalised corrupt practices and the unfavourable business environment increases the vulnerability of diasporans. It also increases the need to safeguard and monitor personal resources and investments. Not being a resident in the country of origin is a disadvantage because it increases vulnerability and creates a 'steep learning curve' about how to manoeuvre the business terrain (Riddle and Brinkerhoff et al., 2011). The diaspora entrepreneurs who are already involved in transnational entrepreneurial activities (e.g. doing business in Nigeria) can be described as exhibiting qualities such as resilience and patriotism because, despite the constraints, they are willing to take advantage of the business opportunities in Nigeria. These are the diasporans who understand the rule of the game in the business environment. It is they who can act as sources of knowledge and information which can decrease information asymmetry for potential foreign investors in the country of origin (Boly et al., 2014). Even though

this critical mass of diaspora entrepreneurs could spur others towards investments in the country of origin, they are not well positioned to be the change agents. Rather, the institutional change should happen from within Nigeria such that engaging in entrepreneurial activities in the country of origin would be an attractive option for diasporans. In terms of access to markets for SMEs, even though providing information is less costly and could be easily accessed through diasporans, the benefit might be minimal. The reason for this is that the problem of information asymmetry is lower when a developed country market is being accessed compared to a developing country.

The role of the diaspora in relation access to finance challenge is that, since more diasporans are altruistic gift-givers, they could give money to SMEs owned by family members. Such could be useful depending on the amount, to support working capital needs of the SMEs. This avenue is probably not new to SMEs since more of them rely on informal sources such as family members for working capital needs. In terms of long-term fixed asset financing, gift support would not match the needs of many SMEs.

More diaspora family angels in strong financial position may be able to support family SMEs or businesses of those well-known by them by giving personal loans. Even though diaspora angel investors could support any SME that meet their investment preferences, investments would be higher if coming from an angel



investor group than from individual diasporans. Diasporans who are angel investors could also mentor SMEs and provide business information and linkages based on their own entrepreneurial experience in the country of residence. However, they may not be able to support exporting manufacturers because the challenges are mostly based on country of origin systemic bureaucracy.

#### **8.2.5 The characteristics of diasporans and the possibilities for participation in transnational entrepreneurial activities**

This study revealed a strong homophilous preference among diasporans. The strong homophilous preferences of the diasporans found in this study, support the assertion that the sense of obligation to family members is a stronger basis of diasporans' relationship with the country of origin (Mohan and Zack-Williams, 2002); compared to a sense of obligation to contribute to the development of the country of origin (Riddle et al., 2010; Riddle and Brinkerhoff et al., 2011). Diasporans would contribute to the development of the country of origin through job creation in the local community. However, such are constrained by the level of corruption, inadequate infrastructure such as electricity and the general business environment uncertainties.

The findings also seem contrary to the expectation that diasporans typically shed old cultural practices due to their being absorbed in the host countries (Guarnizo et

al., 2003). Rather, in line with Akanle and Olutayo (2011) kinship values and norms do not seem to be eroded among the diasporans. The findings reveal that more sentimental reasons than material ones drive the willingness to participate in entrepreneurial activities. Obligation to family members is strong giving rise to more altruistic tendencies. Likewise, family members and those well-known by diasporans are considered as alternatives to overcome the challenges of corruption and to navigate the challenging business environment such as lack of trust.

Sentimental or homophilous links with the family highlights the gift-giving role of diasporans. Gift-giving is linked to cultural expectations and highlights altruism and loyalty towards the family (Reynolds, 2004). Maintaining strong link with family members is important and obligatory for many. Financial support for family members by those in 'better position' is culturally supported in Nigeria (Limbs and Fort, 2000). Diasporans would send gift money to family members because of the expected norm of taking care of those at home especially those in the rural areas. Supporting a family member's business venture is also a customary practice (Nafziger, 1969). Gift from a diasporan to a family member's business could be given without the condition of repayment and no monitoring is involved. This informal source of finance could be used as the business owner deem fit. However, the amount of gift given would depend on the financial capacity of the diasporan.

Entrepreneurial risks increase family entrepreneurial orientation among diasporans. Lack of trust increases sentiments which favour close and well-known ties even though in some cases, the rationale is not purely altruistic. The risks of investing in SMEs unknown by a diasporan influence the preference for supporting SMEs owned by a family member or those owned by well-known ties of diasporans. Such SMEs could receive personal loans or equity investments. The rationale is that the costs of opportunism are reduced by investing in those well-known and the emphasis is on relational rather than contractual governance. This highlights a potential for family angel investor role among diasporans which could be useful for family businesses in the country of origin.

Preference for informational activities and the capacity to provide activities such as business advice, information about business opportunities and financial advice based on financial knowledge were significantly emphasised among entrepreneurs and professionals. These diasporans are permanent migrants aged between 35-46 years. The nature of these activities highlights the mentoring role of diaspora entrepreneurs and professionals. Even though the diaspora entrepreneurs may be able to engage in informational entrepreneurial activities, least effort interaction is significant highlighted. This suggests that the capacity for entrepreneurial activities is significant among diasporans and their close links such as a close family members

and friends. In Table 8.1 the summary of the results is presented by adapting the Elo and Riddle (2016) analytical typology for diaspora investment.

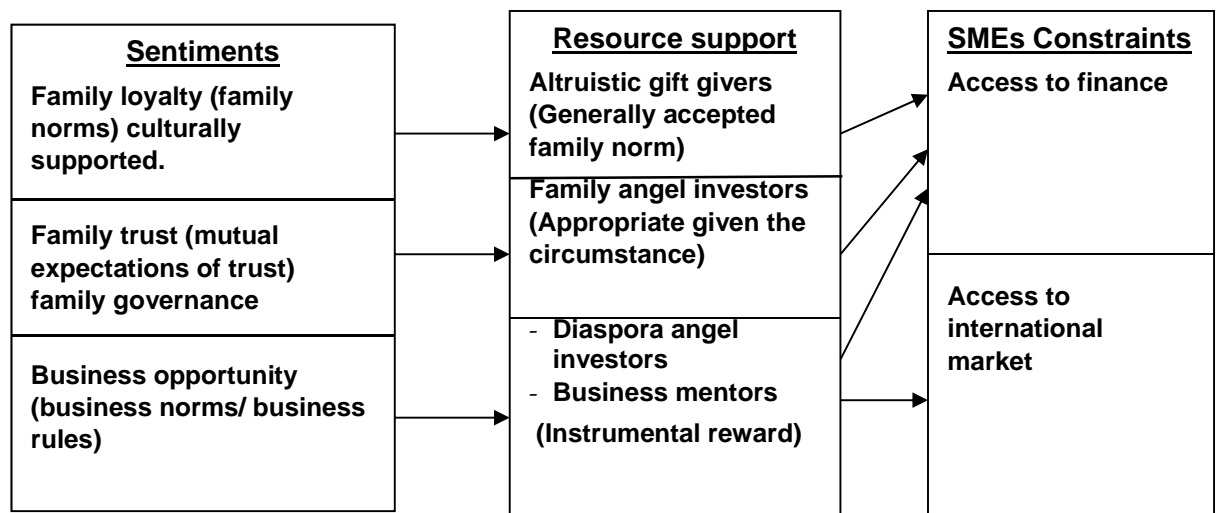
**Table 8.1: Typology for diaspora investment**

<b>1. For what? Type of investment and its object</b>	<b>Where? Place of investment</b>	<b>WHO? investor</b>	<b>Investment possibilities</b>
Entrepreneurial investment in a venture, capital investment in a venture, fund or other	Home	Other diasporans	Personal and family prosperity (mostly altruistic)
		Entrepreneur-diasporans	Profit motive.
<b>2. ENABLER? Knowledge and connections</b>	<b>RETURN? Motivations driving the investment</b>		<b>SUPPORT OR BARRIER? Country setting and corruption</b>
Person and/or family-centred, socio-cultural norms.	Willingness to help, fulfilment of family expectations and duty, social-status gains, return to homeland	Other diasporans	- Difficult business environment with high corruption is a barrier, the diasporan may not be well equipped to cope with the challenge. - Use of family support
	Profit, social-status gains, return to homeland	Entrepreneur-diasporans	- Difficult business environment with high corruption is a barrier, the diasporan may be better equipped to cope with the challenge. - Business norms, carrying out due diligence.
<b>3. HIGH OR LOW? Risk</b>	<b>SUPPORT OR BARRIER? Institutions and legal frame</b>		<b>HIGH OR LOW? Opportunity</b>
Risk is individually perceived, risk for the diasporan may lower due to market specific knowledge.	Institutional environment perceived as a barrier to circular life and venturing	Other diasporans	- Opportunity is a low driver of entrepreneurial activities, diasporans would more likely take advantage of opportunity if it would be beneficial to self and family
	Support programs and local-based help may constitute facilitating factors	Entrepreneur-diasporans	- Opportunity is a key driver of entrepreneurial activities, diasporans, more likely to take advantage of opportunity due to resilience and higher risk propensity

Adapted from Elo and Riddle (2016)

The summary of the research findings about diasporans' possibilities for transnational entrepreneurial activities is presented in Figure 8.2. Sentiment shows the preferences for financial investments among the diasporans and they are in three categories. In terms of interactions with country of origin entrepreneurial activities, diasporans show homophily preferences. For the altruistic gift givers, sentiments are culturally governed and based on family expectations and norms. Such could give gifts to SMEs owned by family members.

**Figure 8.2: Diasporans in transnational entrepreneurial activities**



The findings reveal three sentiments of diasporans namely: family loyalty, family trust and business opportunity. Arregle et al. (2013) explained that strong family ties are strong because of value introjection which creates strong cognitive and

emotional attachments. However, the extent to which this holds for diasporans making financial investment has hitherto been unknown. The findings show that the family loyalty of diasporans is linked to family norms which are culturally supported practices and contributes to the sentiments or emotions towards close ties especially family members. This forms the basis of altruistic giving observed. This conclusion is supported by Pollak (1985) that altruism provides a stable foundation for a wide range of activities because of the love, affection and care for family members.

Diasporans who are altruistic gift givers would send money home to support family members they love and care for. The family members who are SME owners may access finance from gifts sent by such diasporans. However, the choices of diasporans who are family angel investors show sentiments based on family trust which are normative rather than emotive. They would invest in SMEs owned by family members based on binding expectations of trust which are strengthened by the honest values held within the family. Financial investment would be made because it is the most appropriate thing to do in order to prevent loss and to keep the wealth within the family.

Unlike the altruistic gift givers and family angel investors, the sentiments of diaspora angels are regulative. Such diasporans would invest in any type of SME as long as the business norms are followed and on the basis of rules that guide

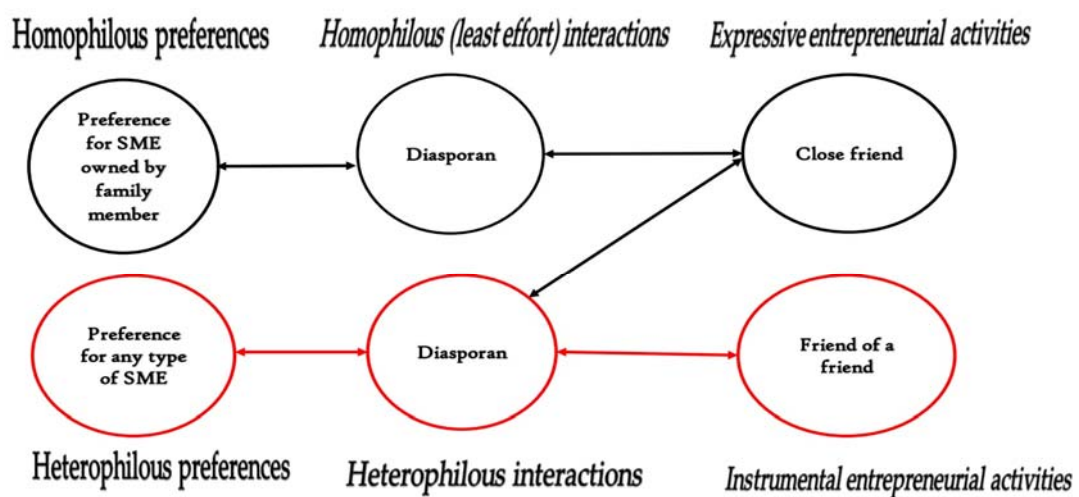
entrepreneurial activities. They may be able to also provide business mentorship to any type of business but cannot help in terms of reducing bureaucracy and time involved in exporting processing.

In terms of the export, the related challenges identified from the secondary data analysis in chapter 5 namely, the long time needed for goods to clear customs, complex documentation, theft and spoilage, as well the exporting of poor quality goods that do not meet international standards. These issues identified would be more appropriately handled by the corresponding agencies in Nigeria. From background information about the Nigerian diaspora as well as the empirical results, diasporans' may not be in the immediate position to leverage their own resources to transform the SME sector's export-related challenges as suggested by the institutional entrepreneurship perspective (Riddle et al., 2010). Diaspora entrepreneurs who are non-exporters may not be able to support exporting SMEs in the country of residence. Likewise, those who are exporters may be affected by the same export challenges. For example, a prior study found out that, some cultural entrepreneurs (Nigerian diasporan exporters) in the U.K. have lost money due to a lack of understanding of the requirements of the Her Majesty's Revenue and Customs regarding importation of certain categories of food from the country.

The red line shown in Figure 8.3 describes the diaspora entrepreneurs and professionals. The diaspora entrepreneurs showed preferences for any type of

entrepreneur (heterophilous preferences). However, in terms of providing entrepreneurial activities, only expressive activities were significant i.e. the diasporans exhibited homophilous preference for family-member owned business. This suggests that the least-effort principle would hold when an unknown entrepreneur attempts to access entrepreneurial activities through diasporans.

**Figure 8.3: Sentiment and interaction network**



The diaspora entrepreneurs identified have permanent immigration status and are between 35 and 49 years. These entrepreneurs are in better position to engage in instrumental activities because their legal status places them in a strong position for organising support for others (Mohan, 2002; Mohan and Zack-Williams, 2002). They can act as mentors for SMEs in terms of access to international market based on their knowledge of the country-of-residence market. They could also support SMEs



because they would understand the needs of the SMEs better and because they have hands-on business experience in the country of residence. However, effective mentoring tends to occur where a climate of trust exists (St-Jean, E., and Audet, 2009) and based on the earlier findings, mentorship from the diaspora may be more beneficial and accessible to SMEs who have close ties in the diaspora. Diaspora entrepreneurs who have maintained strong links back home could also be in an advantageous position to provide linkages that could drive investments to the country of origin.

## **Conclusion**

The chapter presented the key findings of the empirical research of this study. The study identified factors that contribute to diasporans' predisposition towards making financial investments and providing business linkages. It showed the strong influence of sentiments towards family members. Also discussed were the least effort nature of the interactions through which the diasporans' resources and the resources held by others known by them can be accessed. The motivation and demotivation for entrepreneurial activities, the characteristics of the diasporans and the possibilities for participation in transnational entrepreneurial activities were also discussed. The next chapter concludes the discussions and highlights the

contributions to knowledge and some of the wider implications of the research findings.

## Chapter 9

### CONCLUSION

#### 9.1 Introduction

This concluding chapter highlights and discusses the contributions to knowledge as well as the wider implications of the research findings. The increased interest in diasporans and transnational entrepreneurship seeks to understand ventures by diasporans linking the country of origin and the country of residence. Particularly, there is an interest in diasporans and transnational entrepreneurial activities in countries of origin where doing business is deemed risky. This study identified three modes of transnational entrepreneurial activities in which diasporans are engaged. First, through their ability to navigate both the country of residence and the country of origin, diasporans make financial investments in start-ups or existing businesses in the country of origin. Second, they can provide business linkages by connecting businesses and investors across both locales or start new businesses in the country of origin. Third, as change agents, they leverage resources to create new institutions or to transform existing ones. Research interest in diaspora transnational entrepreneurship seeks to understand this multifaceted nature of transnational ventures and the heterogenous characteristics of diasporans. It also seeks to understand the forces at work between diasporans and institutional change in the country of origin. In so doing, from a policy perspective this study contributes to

discussions about how economic activities of diasporans influence the country of origin.

Many countries of origin are exploring ways of promoting diaspora entrepreneurship and investment. However, diasporans, as well as the institutional opportunities and challenges of transnational entrepreneurial activities, differ according to context. Hence, there is need to understand the motivation for interest in transnational entrepreneurship, the nature of transnational activities, the characteristics of diasporans and ways their activities influence policymaking in the country of origin especially in developing countries where doing business is considered risky.

## **9.2 Contributions to knowledge**

This section highlights the contributions of this study to the field of transnational entrepreneurship. The study contributes to this field of study at the empirical, methodological and theoretical levels. The transnational entrepreneurship field focuses on diasporans as important entrepreneurial bridges between the country of origin and country of residence (Riddle et al., 2010). It also emphasises the importance of understanding the helping behaviour of diasporans and their ties (Nkongolo-Bakenda and Chrysostome, 2013). The motivation that drive transnational entrepreneurship is complex and influenced by institutional forces (Gillespie et al. 1999; Riddle and Brinkerhoff, 2011). Understanding the motivation

that drives diaspora investment and non-investment in the country of origin is therefore crucial to understanding what drives transnational entrepreneurship.

Empirically, this study has contributed insights to this complex phenomenon and has helped to shed further light on factors that influence the attitudes, preferences and motives of diasporans for transnational entrepreneurial activities in a context that is considered risky (Drori et al., 2009; Elo, 2016). These insights have contributed towards understanding what drives the willingness to engage in and the possibilities for Nigerian diasporans' participation in transnational entrepreneurial activities.

First, this study has identified family networks as the main driver of diasporans' willingness to participate in transnational entrepreneurial activities. The willingness to be involved in entrepreneurship to boost the country of origin's entrepreneurial activities in the country of residence is also strongly influenced by familial choices. On one hand, this is because of established norms of giving to those close and dear. On the other hand, such relationships offer security for investments based on trust and are less costly because of a keen sense of belonging that defiles geographic distance. The study therefore adds a contextual spin to the knowledge of the influence of family networks on diasporans' transnational activities (e.g. Mohan and Zack-Williams, 2002; Mohan, 2006; Mustafa and Chen, 2010; Ojo et al, 2013). In addition, the study also identified that access to resources depicts the least effort

principle suggesting limits to the ability of diasporans to act as bridges or links for people not well known by them and also a limit to their access to other people's resources.

Second, it contributes to knowledge about diasporans' motivation for participation in country-of-origin directed entrepreneurial activities. These motivations are influenced by institutional norms and they are namely: family loyalty which is culturally supported, family trust which is influenced by mutual expectations and family governance, and business opportunity which supported by business norms.

Third, the study makes contributions to literature (e.g. Portes et al., 2002; Elo, 2016) that seeks to understand the types of diaspora entrepreneurship and the characteristics of diaspora transnational entrepreneurs in various contexts especially in emerging economies. This study contributes to this area of knowledge by highlighting three modes of diaspora transnational entrepreneurial activities based on the nature of activities of diasporans identified from literature. The modes highlighted were: financial investments, entrepreneurship/business linkages and institutional entrepreneurship. Also, based on the empirical findings, these characteristics of diasporans called attention to three typologies of diaspora investors namely: the altruistic gift-givers, family angel investors and the diaspora angel investors.

Overall, this study also makes theoretical contribution to knowledge in the institutional entrepreneurship literature which seeks to understand the relationship between diasporans cognition, entrepreneurial action and institutional effects (e.g. Riddle and Brinkerhoff, 2011; Ács et al., 2014). Theoretically, this study contributes to knowledge by adopting a novel approach which integrates network (homophily concept) and institutional theoretical perspectives. The integration at the level of embeddedness helped to explain diasporans' resource capacity, interactions and motivations which propel them to make choices for transnational entrepreneurial action. By applying these perspectives empirically, this study highlighted homophily based on trust established by length of relationship as a key explanation of diasporans' willingness to participate in transnational entrepreneurial activities. This is first and foremost influenced by the strong family system in Nigeria which also has sustained influence on diasporans. This therefore is a well-established mechanism that diasporans can readily make use of for transnational entrepreneurial activities.

The methodological contribution of this study involves the novel use of the internet in reaching diasporans in ways which would not have otherwise been possible. Through this method, the study examined diaspora transnational entrepreneurship not just as a post- hoc phenomenon which focusses on examining existing transnational enterprises. Rather, it offered the possibility of identifying

characteristics of diasporans and the possibilities for the realisation of transnational venture ideas and support from the diaspora (Riddle et al., 2010). The combined use of offline data collection in a diaspora event and the online diaspora groups, helped in identifying Nigerian diasporans who maintain links with the country of origin through their online identity and offline participation in diaspora groups and events. These helped to overcome the definitional difference between a migrant and a diasporan (Safran, 1991; Riddle, 2008) and has also in some way helped to better understand a phenomenon which is highly heterogeneous and with diverse dimensions (Elo, 2015; Harima et al., 2016). Though not without its drawbacks which have been addressed in the methodology chapter, the use of the internet would increasingly become more popular and refined, particularly for studies involving members of a diaspora e.g. (Tabor and Milfont, 2013; Ferguson et al., 2016).

### **9.3 Implications of the research findings.**

The key research findings and how the research questions have been answered were discussed in chapter 8. In addition to contributing to knowledge, this research also has wider policy implications. These implications are discussed in the subsequent sections.



### **9.3.1 Driving diaspora transnational entrepreneurship**

In terms of financial investments, the research identified strong altruistic giving tendencies among diasporans, as well as sentiments for investing in businesses owned by strong ties especially family members. Such tendencies reveal the influence of homophily or biased judgement informed by cultural norms of giving to close relationships. The altruistic tendencies of diasporans are also highlighted by the practice of sending money home to loved ones. Remittances are money transfers through official means to Nigeria. However, there is little evidence available regarding the actual impact of remittances on business activity. A possible cause of little evidence about remittances and business activity could be because diasporans who send funds home for business purposes rely on informal channels. Though the country is a large remittance-receiving country, currently, the economy is witnessing slow economic growth and particularly the controlled exchange rate could result in a decline in remittances.

The strong altruistic giving tendencies among diasporans could be utilised to support access to finance by SMEs. On one hand, the altruistic characteristics of diasporans can drive entrepreneurial financing which is drawn on altruistic giving through personal networks. A large pool of small donations from altruistic investors linked through personal networks, which are based on trust and established relationships can be a source of funding for some entrepreneurial businesses in

Nigeria. This is because by nature, such investors reveal an underlying sense of willingness to give to those well-known by them without expecting to be rewarded. Therefore, the motivation is based on the giver's sense of making a difference in another person's life and helping to improve their lives without expectations of rewards. On the other hand, there is also the possibility that the altruistic tendencies of sending money home can drive entrepreneurship by encouraging new businesses established to serve this practice of diasporans. For example, alternative payment systems start-ups could be established and these businesses can facilitate easier and cheaper mobilisation of funds for entrepreneurial activity particularly to SMEs in rural areas of Nigeria.

The family angel investors seek to invest in a climate of trust and they believe this can be achieved through the protection family governance offers. However, these group of investors can also extend their entrepreneurial investments if the conditions are right e.g. if they are convinced of the integrity and honesty of a business. Also, because their motives are normative rather than emotive, financial investments through private sector arrangements is a possibility since such arrangements might be perceived as worthwhile. The motives of diaspora angels are regulative and the expectations of business norms drive their entrepreneurial investments. This group could form the critical mass for mobilising the diaspora for institutional entrepreneurial activities particularly from the entrepreneurial

ecosystem perspective. The reason being that, these diasporans are entrepreneurs and professionals and some might already understand the business terrain well because they are already involved in doing business in the country of origin or because they can make use of their risk-taking nature and experience. These investors can be the critical mass which creates a bandwagon effect for diaspora investment in the country of origin before other types of investors such as the family angel investors while the altruistic gift-givers may later become interested.

### **9.3.2 Implications on policy and recommendations**

This study examined networks and institutions as regulators of entrepreneurial action. It therefore puts forward that homophily based on trust, established by sustained relationships within the strong family system are regulators of entrepreneurial action among diasporans in the Nigerian context. These findings have implications on the government's desire for its own foreign-based skilled managerial and entrepreneurial talents to invest in entrepreneurial activities in the country. It is therefore critical to think about the ways the government can engage the Nigerian diaspora effectively and how to co-ordinate the relationship between the diaspora and the other components of the entrepreneurial ecosystem. That is, how the diaspora resources can be effectively mobilised along with other

mechanisms already in place to support SMEs as it is being envisaged in the Nigerian MSME policy.

Profiling and targeting of diasporans is crucial because of the heterogenous nature of diasporans. For example, this study found out similarities in sentiments and in the nature of interactions among diasporans who have legitimate rights in the country of residence i.e. with permanent immigration status, who are professionals or entrepreneurs aged between 35-49 years. Among this group of diasporans, there is a willingness to participate in transnational entrepreneurial activities with less bias towards close ties. Also, as discussed in the earlier sections, there are different types diaspora investors. For example, in the case of a drive for investments, it might be worthwhile to initially seek the engagement of diaspora angel investors rather than the altruistic gift-givers. Profiling of the diaspora populations and targeting the diasporans who are more likely to respond to the call for investments in the entrepreneurial sector is very key. Diasporans who share similar sentiments would be able to work together because of their similarities. This has worked in other contexts for example, ties forged among diasporans that succeeded in establishing links between Taiwan and Silicon Valley were based on education rather than kinship or shared native place (Alan and Hsu, 2004).

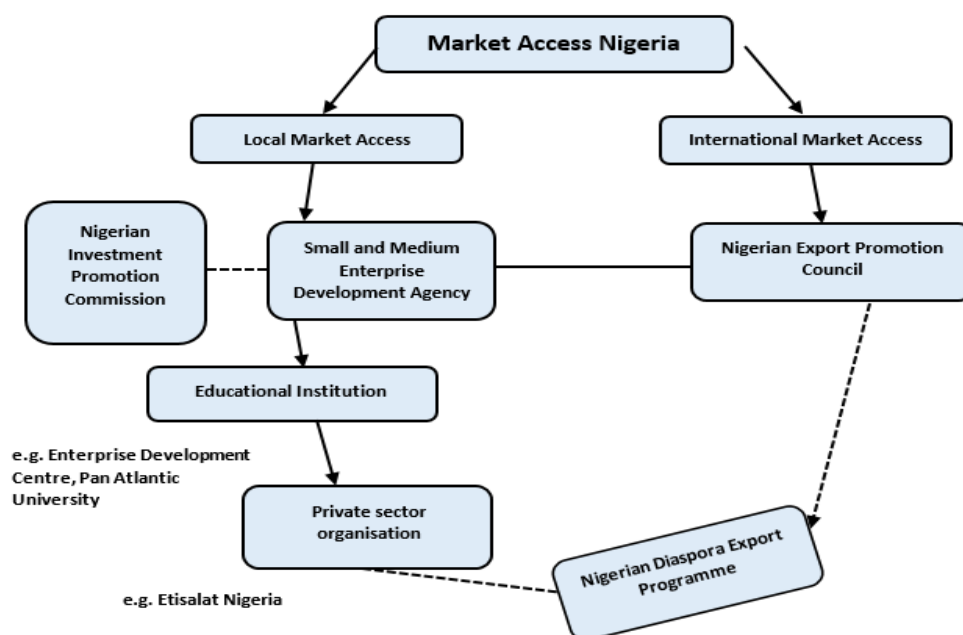
Based on this research findings about the Nigerian context, the groups that would be engaged need to be self-organising to be effective because of the difficulties involved in engaging and mobilising diasporans under a single umbrella organisation. The government could however highlight the rewards for participation and then encourage such groups to come forward and show their interests while the government provides an effective process for engaging with them and sustaining the engagement.

The findings of this study also have specific implications in relation to the ecosystem approach (Small and Medium Enterprises Development Agency of Nigeria, 2014; Fate Foundation, 2016) adopted for enterprise development in Nigeria. First, the market access challenges of SMEs are obstacles that need to be tackled in the country of origin. The challenges such as processing times and obtaining quality certification can be eliminated or reduced by getting rid of export processing 'red tape' in Nigeria and by ensuring that effective quality checks are available. As things are presently, diasporans would not be encouraged to support market access by promoting Nigerian goods if they'll be purchasing or acting as agents or distributors of, poor quality products. Also, considering that the Nigerian diaspora is primarily labour-based, market access through the diaspora may be more about diasporans buying Nigerian goods and less about them being brokers of access to the wider market in their countries of residence.

Second, a way to overcome the challenge of mobilising the diaspora for enterprise development is for policymakers to partner with the private sector. This is particularly important considering the constraints posed by corruption and other challenges in the business environment. Diaspora start-ups wishing to start new businesses in Nigeria and without personal networks could overcome the challenge of navigating the unfamiliar business environment by establishing linkages with the existing components in the entrepreneurial ecosystem e.g. through local Market Access Nigeria programme (Figure 9.1). Such programmes can also serve as a mechanism for reducing information asymmetry and making financial investment decisions easier for diasporans. Through the platform, it could be easier to link start-ups or Small and Growing Businesses (SGB) in Nigeria with potential diaspora angel investors. This would also help to reduce the challenge of co-ordination within the ecosystem.

Third, the OLOP programme of the entrepreneurial ecosystem is aimed at poverty alleviation in the rural areas; through leveraging on the agricultural competitiveness of one product from each local government in Nigeria.

**Figure 9.1: Possibilities for diaspora engagement with entrepreneurial ecosystem**



Source: Adapted from National Enterprise Development Programme (2014)

A larger diaspora population can be mobilised for collective resource support for this programme. This can be achieved through linkages with existing diaspora hometown associations which seem to be a strength of the Nigerian diaspora. Collective financial resources and other support could be easier to mobilise through the hometown associations to complement the OLOP programme; since such groups have objectives which are primarily in relation to the interests of their shared ancestry (Lampert, 2009). Co-ordination might also be easier since such associations already have mechanisms in place to channel social capital to their places of origin for development.

Finally, policymakers should exploit ways to better improve resource mobilisation from the commercial banks for entrepreneurial action especially for women and rural dwellers. This can be improved within the entrepreneurial ecosystem through better co-ordination e.g. some features of the defunct Village Adoption Scheme (VAS) model can be incorporated into the entrepreneurial ecosystem because while it lasted, it succeeded in lowering transaction costs. It also provided linkages between informal village cooperative societies and formal financial institutions. It is crucial to exploit these areas because, even if alternative forms of access to finance becomes accessible, SMEs would still benefit more from the improved access to and the use of formal finance.

#### **9.4 Limitations and future research**

This study has responded to the need for research around Nigerian transnational entrepreneurship (Ojo, 2013). However, this study has some limitations which future research could address. This study's findings are limited by the potential problem of respondents' interpretation of some concepts such as family members, friends and friends of a friend. Even though some respondents made clarifications about their choices, however, the potential for inconsistency in the interpretation of these concepts still exists. Future studies could further develop on these to provide finer distinctions that represents what exist in reality of the context being studied.



Also, difficulties were encountered in developing a more robust sample frame of Nigerian diasporans. As a remedy, the study obtained a targeted sample from online diaspora groups as well as diaspora event where belonging to and involvement in is an indication of having a true diasporan identity. However, the views of the older age group (above 65) were not well represented in the sample. This could be because of limited online activity of these group of diasporans and because more of such diasporans could have retired and returned to the country of origin.

Another shortcoming of this study is that, it attempted to understand factors that drive entrepreneurial activities from diasporans' interest and not in all cases, from their actual entrepreneurial activities.

Future research could explore the extent to which entrepreneurs in the country of origin enjoy support from diasporans. Also, future research could explore the formation and contributions of diasporans to family businesses in the country of origin. This can be explored along the literature on family entrepreneurial teams.

In addition to future studies carried out in different emerging and developing countries contexts, future studies could also research diaspora transnational entrepreneurship from the perspectives of developed country of residence and developed country of origin.

From the entrepreneurial ecosystem perspective, historical research could explore the VAS model and ways it can be now be modified into the entrepreneurial

ecosystem to help improve the co-ordination of the components of the entrepreneurial ecosystem and ensure that access to finance improves for SMEs in the rural areas.

Finally, it would be worthwhile to explore actual bilateral trail of the transnational diaspora entrepreneurs' activities to better understand how they navigate different institutional contexts.

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## APPENDIX



### Research survey

This doctoral research survey is being carried out at Aberystwyth University. The aim of the research is to assess the entrepreneurial support potential of the Nigerian Diaspora. I would like your assistance by completing the forms below based on guidelines provided. I must stress that this form and consequent survey is in compliance with the Data Protection Act (1998) and as such, the preservation of your anonymity is guaranteed; however, for the data to be useful, please give answers that closely reflect your position and additional comments would be appreciated where necessary. Thank you.

### Section A

Please tick the appropriate

1. Please select which best describes your occupation:	
Academic/Professor	<input type="checkbox"/>
Bank Officer	<input type="checkbox"/>
Lawyer	<input type="checkbox"/>
Teacher	<input type="checkbox"/>
IT engineer/computer programmer	<input type="checkbox"/>
Marketer	<input type="checkbox"/>
Administrator	<input type="checkbox"/>
Accountant	<input type="checkbox"/>
Physician	<input type="checkbox"/>
Other health worker	<input type="checkbox"/>
Entrepreneur/small business owner	<input type="checkbox"/>
Retired	<input type="checkbox"/>
Other (Please specify)	

<b>*If question 2 is not applicable please go on to question 3.</b>	
<b>2.If you are an entrepreneur, how many employees do you have:</b>	
1-9	<input type="checkbox"/>
10-49	<input type="checkbox"/>
50-249	<input type="checkbox"/>
More than 250	<input type="checkbox"/>
None	<input type="checkbox"/>

**Section B: Please tick the appropriate boxes to answer the following hypothetical questions.**

If a Nigerian Entrepreneur seeks the following help in your country of residence. Kindly tick the appropriate box to indicate **YES or NO** if you or someone you know could be of help. If **YES**, please indicate by ticking one box to describe that person's relationship to you.

		<b>Yourself</b>	<b>Family member</b>	<b>Close friend</b>	<b>Friend of a</b>
<b>RESOURCE SUPPORT</b>					
<b>3.</b>	Give business advice	YES <input type="checkbox"/> NO <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>4.</b>	Provide financial assistance (e.g. loans, equity, investment)	YES <input type="checkbox"/> NO <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>5.</b>	Knowledge about financial matters	YES <input type="checkbox"/> NO <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>6.</b>	Information about business opportunities	YES <input type="checkbox"/> NO <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>7.</b>	Give a good reference when seeking a contract	YES <input type="checkbox"/> NO <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



<b>8.</b>	Provide business services (e.g. legal, accounting or clerical)	YES <input type="checkbox"/> NO <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>9.</b>	Has good contacts with the media	YES <input type="checkbox"/> NO <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>10.</b>	Help to find prospective customers	YES <input type="checkbox"/> NO <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>11.</b>	Help to find appropriate distributors	YES <input type="checkbox"/> NO <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>12.</b>	Connection to potential business partners	YES <input type="checkbox"/> NO <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>13.</b>	Provide physical resources (e.g. warehousing, equipment, land)	YES <input type="checkbox"/> NO <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>14.</b>	Information about customs goods declaration and other supporting exporting documents	YES <input type="checkbox"/> NO <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>15.</b>	Knowledge about government requirements and compliance standards	YES <input type="checkbox"/> NO <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>16.</b>	Find customs agent to clear goods	YES <input type="checkbox"/> NO <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>17.</b>	Connection to freight forwarders	YES <input type="checkbox"/> NO <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>18.</b>	Help with employment issues	YES <input type="checkbox"/> NO <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Section C: Please tick one appropriate box for each question**

	Statements	Strongly agree	Agree	Neutral	Disagree	Strongly
19	A business idea is an important criteria that would determine whether I will invest in a business or not	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20	A written contract is not a necessary prerequisite for me to invest in a friend's business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21	Generally speaking, you can't be too careful in dealing with Nigerians	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22	A written contract is not a necessary prerequisite for me to invest in a family member's business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23	It is better to do business with friends because they can be trusted	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24	I would be willing to offer any useful expert knowledge to support entrepreneurial growth in Nigeria	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25	It is better to do business with family members because they can be trusted	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26	Making business investment in Nigeria would demonstrate my commitment to my country	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27	I would be willing to invest in Nigeria because my family back home expects me to do so.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28	I don't have happy experience of helping others in the past	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29	I would be willing to help any entrepreneur who has helped me in the past	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
30	Investing in entrepreneurial business in Nigeria would make me feel good about helping others	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
31	I would prefer to invest in an established entrepreneurial business in Nigeria than a start-up	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
32	Frequent communication is essential to build trust	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
33	Investing in a business in Nigeria while I live abroad is very risky	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
34	If investing in Nigeria, one has to be alert or someone is likely to take advantage of you.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
35	The Nigerian business environment does not make business investment attractive to me	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Section D: Please tick one appropriate box for each of the following hypothetical questions**

Which type of Nigerian entrepreneur would you prefer to:		Family member	Friends from same ethnic group	Friends from different ethnic group	Friend of a friend	None
36.	Introduce to a prospective business partner in your country of residence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
37.	Support by providing information about international trading opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
38.	Support financially by giving a personal loan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
39.	Support financially by giving a gift	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
40.	Make equity investment in their entrepreneurial business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please comment about your preferences

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**Section E: The following are hypothetical questions about how much time you are willing to invest in an entrepreneurial business. Please tick one box for each question to reflect your choice.**

If a Nigerian exporter wishes to do business in your country of residence and needs your help, how much time would you be willing to invest in helping him with his business if he is:		0-2 days	3-4 days	5-6 days	Above 7 days	None
41.	A close family member	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
42.	A friend from same ethnic group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
43.	A friend from different ethnic group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
44.	A friend of a friend	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please comment about your preferences

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**Section F: The following are hypothetical questions, kindly tick one box for each question to reflect how much you are willing to invest in an entrepreneurial business. Keys to your ratings:**

	Dollars	Pounds	Euro	Naira
1.	\$0-1999	£0- 1199	€0-1499	₦0-319999
2.	\$2000-3999	£1200-2399	€1500-2999	₦320000-639999
3.	\$4000-5999	£2400-3599	€3000-4499	₦640000-959999
4.	Above \$6000	Above £3600	Above €5000	Above ₦960000
5.	No Investment	No Investment	No Investment	No Investment

If you were to invest in an entrepreneurial business in Nigeria, how much money would you invest in:		1	2	3	4	5
45.	A close family member	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
46.	A friend from same ethnic group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
47.	A friend from different ethnic group	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
48.	A friend of a friend	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please comment about your preferences

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**Section G: Please tick one appropriate box**

49. If you were to invest in an entrepreneurial business in Nigeria, which industry	
Agriculture, forestry and fishing	<input type="checkbox"/>
Mining and quarrying	<input type="checkbox"/>
Professional services	<input type="checkbox"/>
Arts, entertainment and recreation	<input type="checkbox"/>
Utilities e.g. electrical power generation, water, sewage and other systems	<input type="checkbox"/>
Information and communication	<input type="checkbox"/>
Manufacturing e.g. food, beverages, textiles and leathers	<input type="checkbox"/>
Real estates	<input type="checkbox"/>
Transportation and storage	<input type="checkbox"/>
Tourism	<input type="checkbox"/>
None of the above	<input type="checkbox"/>
Other (Please Specify):	

50. Which type of investment would you most prefer to make in Nigeria?		
	Start my own business	<input type="checkbox"/>
	Invest through an investment club	<input type="checkbox"/>
	Invest in an entrepreneurial start-up business	<input type="checkbox"/>
	Invest in a government issued diaspora bond	<input type="checkbox"/>
	Invest in an established entrepreneurial business	<input type="checkbox"/>
	None of the above	<input type="checkbox"/>
	Other (Please Comment):	

51. Which of the following is a constraint that could discourage you from investing in a business in Nigeria?		
	Lack of available time	<input type="checkbox"/>
	Inadequate infrastructure	<input type="checkbox"/>
	Lack of expertise in the business	<input type="checkbox"/>
	Corruption	<input type="checkbox"/>
	Inability to identify trustworthy businesses	<input type="checkbox"/>
	Business environment uncertainties	<input type="checkbox"/>
	None of the above	<input type="checkbox"/>
	Other (Please Comment):	

52. Which of the following could motivate you to invest in a business in Nigeria?		
	To improve my investment portfolio	<input type="checkbox"/>
	To help or support my family back home	<input type="checkbox"/>
	To support jobs creation and income for my local community.	<input type="checkbox"/>
	For social and political recognition	<input type="checkbox"/>
	None of the above	<input type="checkbox"/>
	Other (Please Comment):	

53. Which Nigerian community group do you most closely associate with?		
	Religious group	<input type="checkbox"/>
	Facebook group	<input type="checkbox"/>
	LinkedIn group	<input type="checkbox"/>

	Ethnic association	<input type="checkbox"/>
	Civic group	<input type="checkbox"/>
	Other (Please specify)	
	No association	<input type="checkbox"/>

54. How often do you interact with other members of the Nigerian community group?		
	Daily	<input type="checkbox"/>
	Weekly	<input type="checkbox"/>
	Monthly	<input type="checkbox"/>
	Quarterly	<input type="checkbox"/>
	Annually	<input type="checkbox"/>
	Other (Please specify)	
	No association	<input type="checkbox"/>

55. Which sources do you consult to know about happenings in Nigeria?		
	Telephone conversations with family and friends	<input type="checkbox"/>
	Newspapers, newsletters	<input type="checkbox"/>
	Professional or trade organisations	<input type="checkbox"/>
	Government agencies and publications	<input type="checkbox"/>
	Workshops and seminars organised by Nigerians in place of residence	<input type="checkbox"/>
	An agent of the government	
	Internet/email	<input type="checkbox"/>
	Other (Please specify)	<input type="checkbox"/>
	None	<input type="checkbox"/>

**Section H: Kindly indicate whether YES, NO or MAYBE and include additional details to support you answers where appropriate.**

**56.** Have you invested/given financial support to a business in Nigeria before? YES ☐ NO ☐ MAYBE ☐

Please comment: .....

.....

.....

57. Could prior unhappy investment experience discourage you from investing or giving financial support to a business in Nigeria? YES ☐ NO ☐ MAYBE ☐

Please comment: .....  
 .....  
 .....

58. Would you be willing to help an entrepreneur because you have known him for long? YES ☐ NO ☐ MAYBE ☐

Please comment: .....  
 .....  
 .....

59. Is the number of years of business experience of an entrepreneur a factor you would consider before investing in a business? YES ☐ NO ☐ MAYBE ☐

Please comment: .....  
 .....  
 .....

60. Would you be willing to invest in a business if the entrepreneur has failed in the past? YES ☐ NO ☐ MAYBE ☐

Please comment: .....  
 .....  
 .....

61. Would you be willing to invest in an entrepreneurial business in Nigeria if your capital would be insured? YES ☐ NO ☐ MAYBE ☐

Please comment: .....  
 .....  
 .....

## Section I: Demographic information

Please tick the appropriate

62.	Which Nigerian state do you come from?	
63.	Are you:	Male <input type="checkbox"/> Female <input type="checkbox"/>
64.	Are you:	Permanent migrant <input type="checkbox"/> Temporary migrant <input type="checkbox"/>
65.	Age:	
	18-25 years	<input type="checkbox"/>
	26-34 years	<input type="checkbox"/>
	35-49 years	<input type="checkbox"/>
	50-65 years	<input type="checkbox"/>
	Above 65 years	<input type="checkbox"/>

<b>66.</b>	<b>How would you describe yourself?</b>	
	First Generation Migrant	<input type="checkbox"/>
	Second Generation Migrant	<input type="checkbox"/>
	Other (please specify)	
<b>67.</b>	<b>Location:</b>	
	U.K.	<input type="checkbox"/>
	Rest of Europe	<input type="checkbox"/>
	North America	<input type="checkbox"/>
	South America	<input type="checkbox"/>
	Australia	<input type="checkbox"/>
	Africa	<input type="checkbox"/>
	Middle East	<input type="checkbox"/>
	Far East	<input type="checkbox"/>
	Other (Please specify)	

<b>68.</b>	<b>Highest educational qualification:</b>	
	PhD	<input type="checkbox"/>
	Masters	<input type="checkbox"/>
	Bachelors	<input type="checkbox"/>
	Diploma	<input type="checkbox"/>
	Other certification	<input type="checkbox"/>

**Thank you very much**